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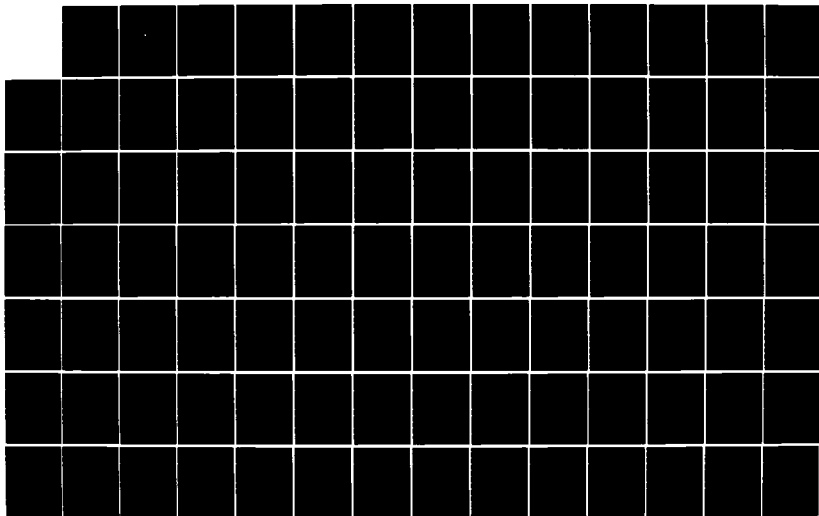
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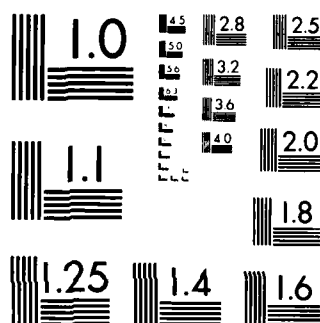
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A COMPARATIVE STUDY OF MANAGEMENT SYSTEM BETWEEN THE
U.S. AND KOREA

by

Myung Jin Kim
and
Yong Ho Lee

September 1984

Thesis Advisor

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A Comparative Study of Management System
between the U.S. and Korea

by

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requirements for the degree of

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ABSTRACT

Korea's rapid industrialization and its emergence on the world market amidst high competition within recent years are remarkable events in its economic history and thus has begun to attract the interest of Western economists and public and private managers. Recently the Korean business firms have landed on the United States and collaborated with their counterparts in the United States. A series of these events made two countries-- Korea and the United States-- eager to know each's management system for their joint venture. If businessmen are going to be able to deal effectively with their counterparts it is essential that they understand each other's values, behavior, and their management system. This thesis first focuses on each management system between Korea and the United States in terms of cultural background, then overviews their general characteristics. The survey was conducted for the Korean management system by utilizing Likert's model. Its data is compared with those of the American management system from the previous ICL Study. Finally it shows where and why their management systems differ and what they can learn from these differences by reviewing their merits and demerits.

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I. INTRODUCTION

A. BACKGROUND

What is the secret of management success? How can we make the organization more effective and productive? Since an organization's effectiveness is greatly determined by the efforts and achievements of the people who comprise that organization, managing focused on the human component can be viewed as a central function of management. If this is done well, the result will be motivated, productive employees.

As Thomas J. Peter and Robert H. Waterman Jr. demonstrated in the newly published book, In Search of Excellence, the eight basic management techniques can be obtained by emphasizing the human side. Thus we can answer such a question as "Why is the Japanese business superior to the U.S. in the world market?" with that reason. As James L. Hall and Joel K. Leidecker pointed out, each characteristic of the Japanese management system which is centered on the human side is more thoroughly developed and greater emphasis is placed on the importance of each element [Ref. 1 p. 21].

For a long time, practitioner judgment from inherent talent was the major source of knowledge about organizing planning and running an enterprise. Now, however, research on leadership, management and organization provides a more stable body of knowledge. Management practice can be based on information derived from research.

Much of the research has been undertaken by social scientists. In 1961, Rensis Likert published New patterns of management in which he presented a science-based system of management. This system resulted from intense research

percent had graduated. The distribution of their degrees by fields of study reflect the need for generalization at the upper echelons of management, with 33 percent in business, 27 percent in engineering, 13 percent in economics, 12 percent in social science, 11 percent in science and mathematics, and 4 percent in other fields [Ref. 12 p.553]. At the present time, the most sought-after recruit is the person with an undergraduate degree in engineering and a master's degree in business administration. Education for scientific management in the United States business community is regarded as a continuing process, and it is common to find in the United States executives in their 40s and 50s pursuing advanced degrees or participating in advanced study seminars at various universities.

Training, as distinguished from formal education, takes place on the job basis as a part of the company's program to develop its managers. Much experimentation has taken place in this area, but career development based on adult education at corporate expense is coming to flower in this decade, with the cooperation of educational institutions. In addition to scheduling evening classes in their MBA programs, business administration colleges have set up management training programs and advanced management programs. These programs run from two to six weeks and are very popular. Companies rotate their managers through these training programs. There are also a number of organizations that hold seminars on management topics on a recurring basis. All of these programs widen the executives horizon to include the worldwide business environment. Thus, with these science-based management techniques they can adapt to their circumstance more effectively. Moreover, the executive benefits from mingling with his counterparts from other companies, other industries and perhaps from other countries.

American executives expect task forces and long range planning groups to come up with recommendations -- that is, to commit themselves to one alternative. They usually tend to focus their attention on getting the right answers since all the emphasis is on the answer to the question. Indeed, every American management book on decision-making tries to develop systematic approaches to giving an answer. Thus, this answer oriented decision-making is likely to make American managers to become prisoners of their preconceived answers [Ref. 14 p.113].

4. Prevalence of Scientific Management and Professionalism

In the American business organization, management is viewed as being closer to a science than an art. According to Luther Gulick, management is a field of knowledge that seeks to systematically understand why and how men work together systematically to accomplish objectives and to make these co-operative systems more useful to mankind [Ref. 15 p.14]. This implies that management can be studied for some time and can be organized into a series of theories. Indeed it is true that we are learning more about management by study every day, and in many situations we can safely recommend a specific course of action by utilizing analytical approaches. Furthermore, management information systems using the computer have greatly assisted and improved the manager's decision-making ability.

With this viewpoint, it is natural that highly educated managers are frequently welcomed. Of course, it is still possible for a manager without a college degree to make it to the top in the United States corporations, but such a person is becoming increasingly rare. In a recent survey by F.A.Bond and A.W. Swinyard, more than 90 percent of the executives surveyed had attended college, and 86

Recently, some American management systems have adopted explicitly participative modes of decision-making in which all of the members of a department reach consensus on what decision to adopt. Under the usual procedure for management decision-making, a small group will gather around a table, discuss the problem and propose feasible alternative solutions. During this process, the group should have one or more leaders who are expert at managing people so that underlying disagreements can be dealt with constructively. Although the leader has full responsibility, he does not try to make all the decisions. He develops his group into a unit which, with his participation, makes better decisions than he can make alone. He helps the group develop efficient communication and influence processes which provide it with better information, more technical knowledge, more facts, and more experience for decision-making purposes than the leader alone can marshal. A consensus is achieved when the committee members finally agree upon a single alternative and each member of the group can honestly say they understand the other members' opinion and will support a consensus whether or not he prefers that decision. However, in practice most American managers do not follow this approach [Ref. 11 p.44].

Another key feature of decision-making by American management systems is that it takes a short time. The rapid decision-making on the spot is appraised in terms of adapting to the today's versatile environmental changes. However, this decision may require much time to be implemented. An American executive, for example, can make a decision instantly, but he then must spend a great deal of time "selling" the decision to those who must carry it out. People who have not been consulted are resistant to change and may even deliberately sabotage the decision.

For example, John, as a data processor manager is assigned sole responsibility for making decisions for the warehouse inventory reporting system. If John develops serious problems of a personal nature, or if he becomes ill or has some other problem that seriously impedes his ability to function at work a bottleneck will develop and problems will be brought in. Reports for the stockout will not be issued in time and as a consequence orders for replenishment will not be properly processed or perhaps will not be processed at all. The whole company will suffer, and John will have to be let go.

In the American management system sometimes decision-making is carried by committee. There are several criticisms of committees. Nevertheless, despite their detractors, committees have still existed in most American business firms. They are infinitely varied in purpose, subject matter, power, and consumption of executive time. A committee may be organized ad hoc to cope with a particular problem, then disbanded, or it may be permanently organized as a standing committee for the continuous exercise of group decision-making, coordination of work, or training of participants.

These are desirable decision-making groups, but their benefits may be offset by several defects. These groups may waste time and money and also cause delays and indecision in administrative action. Furthermore, the equality of the group decision-making may not be what was hoped for. Even if the committee is not dominated by one member such as the committee chairman (which is often the case), the group "decision" may be actually a compromise that is offensive to the minority and unsatisfactory to the majority. In addition, there may be ambiguity as to who has responsibility for the committee's decision.

responsible for setting the pace of work and checking the quality of the product by giving a more flexible autonomy. The subordinates may also be given more discretion as to the method used.

3. Quick Decision-making by Individual

Decision-making is the primary role of all managerial levels since all management processes involve the conscious or unconscious selection of one course of action from all feasible alternatives. Within the limits defined by company policy, individuals at each managerial level are required to make decisions as often as necessary to carry out their assigned responsibilities.

In the United States, decisions are made by individual managers. This is not to say that decisions are made in isolation - far from it. Decision-making can be and frequently is a group process. Managers consult with their subordinates, and sometimes appoint committees to study questions which require decisions. Sometimes outside expert consultants are brought in. Opinions may be sought from suppliers or customers. But, when all of the consultation is over, one man makes the decision and accepts full responsibility for the consequences.

An ingrained principle of American management is that the manager is personally responsible for his decisions and their consequences. The American manager is very conscious of this burden of responsibility and of the underlying system of rewards and penalties. He knows that consistently making the right decisions can lead to rapid promotion and high compensation. He also knows that a wrong decision can lead to personal dissatisfaction at the least and possibly to demotion or being fired from his position. In a typical American company, this solitary decision-making often creates bottlenecks and inefficiency in company operation.

Of course, specialization has greatly increased productivity in the United States but it has also caused negative side effects in many instances. Simple jobs become unbearably boring so that a worker with any options will quit at the first opportunity. When pursued to an extreme, the specialized job that is only a small part of the entire operation will give employees less feeling of accomplishment and can subject them to increasing boredom and pressure. These problems are worst, of course, in manufacturing industries when the employees are tied to an assembly line. Also, specialization of managers and staff professionals create another problem. Specialists may know more than anyone else about their areas but this knowledge may be so concentrated that they know nothing about the rest of the organization and how their duties fit into it. Also specialists sometimes fight with one another because each thinks his or her area is the most important one in the organization. Another potential pitfall is that a person's specialty may be so unique that no other organization can use him. Unfortunately if this particular organization does not need him, his specialty is worse than useless to him.

Many American companies practicing "productivity through people" have sought to overcome these undesirable effects with a program of job enlargement. With this program, quality and quantity can improve significantly, and thus high productivity can be accomplished. The success of the Volvo and Saab experiments of assembling cars with small autonomous work groups who rotate job tasks has sparked interest of many in job redesign, especially by enlargement and enrich [Ref. 13 p.124]. This action seems to recognize that the economic law of diminishing returns also acts upon specialization of labor. Job enlargement, or job enrichment as it is sometimes called, expands the subordinate's job to include a variety of tasks and makes him or her more

2. Preference for Specialist

Much of industrial society's great strides in productivity have come from specialization. By specializing, the worker becomes more proficient in a narrower job and pays more attention to the task's minute elements. Thus work specialization and division of labor in modern practice is common knowledge and in the United States, the job is viewed as the basic building block of organization. One of the most common features of personnel management in the United States business firms is the written job description that breaks each job down into fine detail.

Because of rapid evaluation and promotion based on one's performance rather than seniority, American firms usually have a high turnover rate. At operator levels, a company with high employee turnover rate must train half of its workforce anew annually. To cope with this, it is essential that jobs must be divided into small pieces, each simple enough to be learned within a short period without any delay or hiatus in company operation. With specialization by studying relatively skilled jobs and simplifying them an employer can pay lower wages and hire and train acceptable people more easily. Also, specialization is prevailing in managerial levels. Managers who do not know one another personally depend on each other's professional standard way of dealing with problems. For example, an electrical engineer with a graduate degree responds to problems in pretty much same way that his predecessor did. Being aware of this, American managers make and implement plans to address varying situations without fearing a nonstandard, incompatible response. From the manager's viewpoint, a goal is to become a highly specialized expert in a specific field with national recognition [Ref. 11 p.60-61].

To the American as a Western soul, it is generally accepted that subordinating individual tastes to the group harmony and knowing that individual needs can never take precedence over the interests of all is repugnant. As stated above, this individualism has been formed by American cultures and traditions from generation to generation. Perhaps a quote from Ouchi can best describe the individualism formation as an illustrating example.

Looking out of the window high over the state of Kansas, we see a pattern of a single farmhouse surrounded by fields followed by another single homestead surrounded by fields. In the early 1800's in the states of Kansas there were no automobiles. Your nearest neighbour was perhaps two miles distant; the winters were long, and the snow was deep. Inevitably, the central social values were self-reliance and independence. Those were the realities of that place and age that children had to learn to value [Ref. 11 p.66].

Emphasis on individualism created an anti-authority climate in America. An illustrating example is that many children were disrespectful to their parents. In part this attitude can be explained by the American intentional attempt to forge a new history rather than continuing the English past. It was also fostered by distrust of centralized power and government. In the early years of American history the heritage of the frontier spirit made it unlikely that a son would live indefinitely under his father's hand, waiting to inherit the farm. Instead, he could and did leave, for a job in the city or his own realm. Self-reliance and individualism as a myth of the frontier had deeply influenced the shaping of attitudes toward authority in the developing nation [Ref. 12 p.192]. In fact, modern industrial production and organizational life are better suited to collaboration than to individualism as we practice it. However, American managers still hold this value and protect their rather extreme form of individualism.

II. THE CHARACTERISTICS OF THE U. S. MANAGEMENT SYSTEM

American management systems have been the subject of thousands of studies and millions of words of learned discussion. Thus thousands of excellent works have analyzed the characteristics of American management systems in great detail.

In this chapter, we merely want to trace those characteristics of American management previously suggested by distinguished researchers and special features revealed by previously implemented surveys for management systems in American business firms.

A. GENERAL CHARACTERISTICS OF AMERICAN MANAGEMENT SYSTEM

1. Personal Emphasis on Individualism

The culture of the United states has often been described as pluralistic, meaning that there are actually many cultures contributing to the national life. Different customs may be observed not only in different sections of the country, but also among people of different national origins. These differences are cherished by United states society, which passionately believes in the right of each individual to choose for himself the way that he shall go.

In the United States each individual is expected to make his or her own decisions and to take care of himself or herself, to stand on one's own two feet against the world [Ref. 10 p.123]. Whether the individual manager seeks an outlet for creativity or merely seeks to earn a living, the corporation is viewed as no more than a means of "fulfilling one's destiny". Neither a manager nor a employee hesitates to leave his organization if he is dissatisfied with working conditions or receives a better economic gain.

viewpoint of the American management system by reviewing existing literature and then focus on the special features revealed by a previously implemented survey for management system in American business firms.

In chapter III, the Korean management system will be discussed in terms of its development process and cultural background and also examined in terms of its general characteristics with the authors' personal experiences gained through their life in Korea. Furthermore -- to more closely focus our general views -- the characteristics shown by a survey for the Korean management system will be discussed along with answers for those questions such as "How did the authors approach to survey for the Korean management system? What was the test instrument which was used? How was the test instrument administered?"

Chapter IV and V bring the study together. Here the results and analysis will be presented along with findings and recommendations.

higher productivity, lower costs, lower turnover and absence, and higher levels of employee motivation and satisfaction than other managers. He stated that his concepts could apply to any other kind of organization even beyond the cultural difference across the countries [Ref. 8 p. 246].

However, a series of studies of those similarities show that Likert's conclusions are not totally supported. In 1979 Bernard M. Bass and Philip C. Burger examined in detail mean differences across twelve national groupings in how managers deal in standardized simulations with organizational and personal problems and found that an empirical study on a country-by-country basis is essential although they found some universals [Ref. 9 p. 189].

Accordingly, based on the above, it is important to identify the precise similarities and differences between the America management system and the Korean management system. Such a comparison can eliminate or minimize an academic Tower of Babel causing the danger of over simplification (inaccurate conclusions as to content and use).

In this research we will attempt to deal in a systematic manner with some of the major aspects of American and Korean management systems, hoping to show where and why these management systems differ and what we can learn from these differences.

C. DESIGN AND ORGANIZATION OF THE THESIS

The introductory chapter of this thesis has focused the reader's attention on the background knowledge for the science-based management system and the need for a comparative analysis between the U.S. and Korea.

Chapter II is where the study actually begins. In this chapter the authors will take a look at what is the general

As previously stated, international standardization in industrial process is expanding along with increased dependency among nations and the trade of physical resources. In this context of similarities of industrial processes, similarities in managerial practices can also be expected.

One may say that as hardware of organizational activities physical, financial and manpower resources are passive agents in the industrialization process, the management of organizations is as a software in the catalytic act in development. Also, since organizational practices are closely related to their internal and external environments and constraints, the management system should be closely related to the influx of technology moderated by cultural norms of behavior.

While there are differences across cultures in attitudes and beliefs about the world of work, there seem to be a number of similar concepts that all managers in each different organization adopt in order to cope effectively with their environmental influences and constraints. With these effective managerial concepts each different management system must quickly overcome cultural differences, particularly when it is in variance with cultural norms.

In a study of managers and their values from the U.S., Japan, Korea, India and Australia, George W. England found that there is a trend toward similarity of management practices in spite of the value diversity between each country. Managerial values are related to organizational level, personal success, decision-making behavior and job satisfaction in a similar fashion which permit generalization across countries [Ref. 7 p. 41].

Likert found from extensive research that high-producing superiors and managers usually displayed a different pattern of leadership from those managers who achieved less favorable results. High-producing managers are those who achieve

Without questions the bulk of Korean economic growth has come in the private sector. The rapid industrialization of Korea and its emergence on the world scene as a formidable competitor were achievable from the successfully managed private sector.

Although the influence of Korean managerial practices is quite evident in Korean growth, little attention is paid to their management systems. Recently the Korean business firms have landed on the U.S. and collaborated with their counterparts in the U.S. on the same fields such as electronics and coal mining. Even in the automobile industries the American General Motors Company will co-produce small cars with their Korean counterparts in 1987 [Ref. 6]. Without knowing the each's management system such a joint venture composed of two different management systems - especially with an international organization - is a very dangerous thing. If businessmen are going to be able to deal effectively with their counterparts it is imperative that they understand both the emotive and cognitive aspects of the managers.

People say that international space is shrinking. This coupled with international population expansions and the distribution of natural resources has resulted in increased dependency among nations. There is also a growing international standardization of operating procedures caused by technical methods in industrial processes. However, Managerial techniques for the prospective management system are still being developed.

B. OBJECTIVE

The objective of this study is to determine the management system currently being employed by Korean business firms and to compare this system to that of American business firms.

into the management practices of American business managers. Further research published by Likert in 1967, in The Human Organization: Its Management and Value suggested that important increases in organizational effectiveness and productivity would be achieved through better management [Ref. 2 p. 46].

Recently, considerable attention has been focused on the Japanese style of management because of the growth of Japanese productivity compared to that of the American management system. Much of the research has been undertaken to compare the American management system with the Japanese management system.

Korea is very similar to Japan in terms of cultural background, homogenous people and economic success. The overall economic performance of Korea is widely regarded as one of the most remarkable success stories of economic growth in all the less developed nations of the world.

The annual Korean growth rate from 1967 to 1977 averaged 10 percent and it reached 13 percent in 1978 [Ref. 3 p. 23]. Although most developed countries showed negative growth in 1980 due to the second oil crisis, Korea showed a 5 percent increase in its growth [Ref. 4 p. 22]. There are few such generally accepted examples of successful national development, however defined. The Korea case was extraordinary, considering that the gross national product approached \$60 billion with per capita income surpassing \$1500 in 1980 as compared to a mere \$100 in 1962 when the economic drive began [Ref. 3 p. 23].

Although all sectors of the economy have grown at a remarkable rate, it has been an export-oriented industrial expansion that has led to Korean growth. Since 1963, industrial output has expanded at a rate of 18 percent per annum, and exports at the even more rate of 40 percent annually [Ref. 5 p. XXViii].

In the American management system professionalism in management is related to hardheaded rationality. The numera-tive, rationalist approach has an overwhelming influence on the curricula of the American business schools across the nation. It is based on the theory that management is a science. Thus it teaches us that well-trained professional managers can manage everything. It provides the basis for the detached, analytical justification for all decisions.

There are some reasons that rationality has prevailed, especially after World War II, in the United states. Thomas J. Peters and Robert H. Waterman, Jr. in In search of Excellence provide clues to the reason why: "In part, things were simpler then: the pent-up demand for prod-ucts after World War II, the absence of tough international competitors, a post -depression work force that felt lucky to have a job at all, and the 'high' of being an American worker training out the best and the brightest of tailfins for a tailfin-hungry world were all factors". They also added that to be the excellent company with high produc-tivity, the management techniques based on sound analysis must be introduced along with skill(art): "The best compa-nies on our list combine a tablespoon of sound analysis with a pint of love for the hamburger bun; both are indispen-sable. Before the rise of the analytic model, the seat-of-the-pants technique was all there was..... True, leasing to segmented markets, to factor in time, value of money, and to do sound cash-flow projection have long since become vital steps to business survival. The trouble arose when those techniques became the pint and love of product became the table spoon. The analytic tools are there to assist" [Ref. 16 p.32-33].

The prevailing trends of the rationalist approach to management are perhaps best described in a quote from Peters and Waterman;

When the two of us went to business school, the strongest department was finance, a majority of the students had engineering degrees (including ourselves), courses in quantitative methods flourished, and the only facts that many of us considered "real data" were the ones we could put numbers on. Those were the old days, but the situation hasn't changed much. At least when we went to graduate business school in the 1960s a few students could slip through the system with relative distinction on their innate talents as fine bullshitters. Now they approach class at their peril if they haven't "run the numbers" (translation: done some kind of quantitative analysis). Many graduate business students so dread the prospect of a calculator battery failing during the final exam that they take spares, spare batteries, an extra calculator, or both. The word "strategy", which used to mean a damn good idea for knocking the socks off the competition, has often come to be synonymous with the quantitative breakthrough, the analytic coup, market share numbers, learning curve theory, positioning business on a 4- or 9- or 24- box matrix (the matrix idea, straight from mathematics) and putting all of it on a computer [Ref. 16 p.30].

Whatever the reasons, the science-based American management techniques are still dominant and are exported to the whole world. It is not unknown that degrees like a Harvard BA and a Stanford MBA are highly attractive to the world business managers. The science-based American management techniques are really prevailing in world business industry.

5. High Labor Mobility with Short-term Employment

An American executive is expected to follow a mobility pattern of his own design, changing jobs and companies as he thinks necessary to develop his talents and fulfill his own personal ambitions. Unlike the Japanese manager, who expects to remain with his first company for life, American executives regard mobility as the quickest way to the top. In part, the tradition of the United States can account for this phenomenon. The "rugged individualism", with each person standing on his or her own resources against the world has been deeply ingrained into American society (Sociologists will point out that man is social

creature and thus no one can really stand alone in modern society, however the tradition of the pioneer settler alone against the wilderness is still strong). American management practices are shaped to honor this tradition, and corporations neither demand nor desire lifetime commitments from their executives.

In the American business society, executive talent is frequently pirated from other companies, and managers or workers do not hesitate to leave the company if they are dissatisfied with working conditions or receive a better offer. Hence, typically short-term employment is prevailing in American companies.

This high mobility by short-term employment causes a high turnover rate. In manufacturing and clerical occupations, companies' annual turnover rate is as high as fifty percent and even ninety percent in some years. A company may easily train new employees by work specialization and standardization within two or three weeks. However it has to consider that these people might quit the company after two to six months [Ref. 11 p.58].

Stability of employment comes in part as a direct outcome of company policy. A great deal of voluntary termination by employees who have better alternatives can be overcome by providing them with work environments that give equity, challenge, and participation in decisions about their work. In an eleven-nation survey commissioned by the Prime Minister's Office in Japan (1973) and carried out by Gallup International, 2,000 youths in each nation were questioned about their job changing (i.e., inter-firm mobility) behavior. In this survey 76.7 percent of the American sample had changed employers, compared to 39.6 percent of the Japanese respondents. This figure is also higher than those of West Germany 48, France 49.8, Switzerland 51.8, Sweden 54.8 [Ref. 13 p.95].

Even at executive levels, twenty-five percent job changing is known, so that the group of vice-presidents who coordinate the entire operation of the company constantly changes and shifts. According to professor Robert Cole of the University of Michigan turnover rates in American companies are four to eight times as high as for all Japanese companies [Ref. 11 p.58]. These frequent position changes are not necessarily, or even usually, intercompany moves. Mobility varies with industries because some, such as advertising and television, demonstrate higher inter-firm movement than the more stable banks and manufacturing companies. In the latter firms' case about 25 percent of executives will have worked only for that company since graduation compared to the other 75 percent will have had other jobs [Ref. 12 p.550].

In addition to this inter-firm job changing, American managers make frequent moves within the same company, either to different departments or divisions or to different geographical locations. This intra-firm mobility can contribute to broaden the individual's capability in terms of job enrichment. A number of large United States firms have begun to develop systematic programs of job movement for all managerial, professional, and white-collar employees. Mobility by this approach will vary widely by industry and to some extent by firm. In the insurance industry or the retail industry, the nature of jobs does not change radically from one year to the next. Such industries can develop a systematic process of advertising new positions widely and encourage employees to transfer to related jobs that permit them to learn something new. This process occurs naturally in rapidly growing companies; As new stores, offices, and factories open up, jobs must be filled by people who understand the company, and the best candidate comes from a related but not identical job.

The American manager has two periods in which he is particularly mobile. The first is at the beginning of his career, which he is apt to change jobs and companies several times while seeking his niche. The second is at midcareer, when he may move inside his company from job to job and even from location to location, or maybe to another company that has made an offer he can not refuse [Ref. 17 p.116-118].

The mobility of those managers are commonly welcomed by United States corporations and thus those managers can be lured away from their original companies. However, American companies which welcome the mobility of those managers usually try to erect barriers to keep their own. Peter Drucker calls these barriers the "golden fetters" of pension plans, stock-option plans, delayed-compensation schemes, and other plans, all of which are designed to avoid the crushing burden of taxation. Drucker brands these schemes as antisocial. He points out that serfdom in Europe was originally an "employee benefit," but became slavery within one generation [Ref. 18 p.254].

6. Emphasis on Conflict Management

American managers report that they now spend 20 percent of their time dealing with conflict and that their abilities to manage conflict have become somewhat more important over the past ten years [Ref. 19 p.315]. Conflict has become a popular management topic and thus many recent books and articles about contemporary life have proposed open reexamination of conflict. Although it is impossible to determine whether rational handling of conflict is more or less characteristic organizations today, a large number of articles and special journal issues have been devoted to it. The reason is that conflict is increasingly perceived as inevitable, often legitimate, and perhaps even desirable. It does not necessarily indicate organizational breakdown or

management failure, as was implied in older management theory and human relations philosophy [Ref. 20 p.96-97].

Indeed, conflict is desirable in terms of feedback mechanism for self-regulation and stability as Louis R. Pondy wrote:

Conflict, like pain, is a signal that the organization is in trouble or on the verge of trouble. An organization or other social system which suppresses conflict, which prohibits the expression of dissent, is depriving itself of the feedback loop necessary for self-regulation and stability [Ref. 21 p.49].

Although conflict and tension can be beneficial as long as they reflect a commitment that promotes challenge, heightened attention, or effort, uncontrolled conflict creates disrespect for authority, disloyalty and eventually chaos in the organizational life. In short, it is not conflict itself that is dangerous, but rather its mismanagement.

According to a survey by L. L. Cummings, D.L. Harnett, and O. J. Stevens for the International study of attitudinal differences among managers, Americans were the most belligerent in interpersonal relations [Ref. 22 p.291]. It is true that status groups within the American organization often regard each other with invidious or hostile feelings [Ref. 23 p.36]. These American interpersonal and intergroup relationships imply that managing conflict should be emphasized. The most common means of dealing with any conflict is avoidance. However, avoidance is not desirable since some conflicts still exist without being solved. Robert R. Blake and Jane S. Mouton argue that confrontation or problem solving approach is the most effective and satisfying method among the five possible ways of resolving conflict; withdrawal, smoothing, compromise, forcing or win-lose power struggle and confrontation or problem solving

[Ref. 24 p.163]. Some American business students tend to see withdrawing and compromising as significantly more desirable methods than do experienced managers, but the experienced American business managers see confronting as significantly more desirable than do business students and thus they practice it in reality [Ref. 25 p.21-30]. Confrontation for managing conflict is well shown in American matrix organizations such as technical organizations (e.g. aero-space industry). In this form, each member of the organization is assigned two bosses. One is the functional boss of his specialty, while the other is the boss of his current work project. Neither is given arbitrary power to resolve conflicts. Thus each staff of the organization is associated with two work groups. One is made up of fellow specialists in a permanent standing basis and the other is temporarily organized with his co-workers in the diverse specialties required for a single project. Neither group can claim all of the man's attention or loyalty. Such an organizational form is an attempt to develop staff with the appropriate specialists' orientation plus an involved enthusiasm for integrated project objectives. The many conflicts in such organizations are handled among the members themselves by making constant choices between their interests as a project team member and as a specialist.

E. SURVEY RESULTS BY LIKERT'S MODEL

1. Likert's Four System-Management

In The Human Organization Likert expands on why organizations have generally been ineffective, and he champions a new style of management as a "science-based" system. He found from research that management systems moving toward System 4 (Participative management) are more productive and have lower costs and more favorable attitudes than those

systems toward System 1(Exploitive-Authoritative) [Ref. 2: p.46].

He then proposed that the organizations directed by the more successful managers had several common characteristics. For example, the subordinates held favorable, confident attitudes toward the organization, the job, and other employees; they communicated openly and were involved in problem solving and decision making; motivational strategies utilized all the major motives, not just security and economic gains.

Supervisors who supervised the most productive work groups displayed certain behavioral patterns that included friendliness, confidence in subordinates, and high performance expectations. Likert emphasized the need for a superior to rely on direct evidence and accurate information when determining the values, goals, and expectations of subordinates. A supervisor's perception acts as a filter when he relies only on information gained from observations and impressions; the resulting view of the subordinates "reality" may not be what is "real" from the viewpoint of the subordinates.

Likert also stressed the importance of viewing management as a system. In his opinion, an organization's characteristics are related, and a change in one part affects not only that particular aspect but all other aspects as well. The results obtained by changing one variable while maintaining all others will usually give quite different results from those obtained when all variables are compatibly changed.

Likert devised his own model of management system; System 1, System 2, System 3, System 4. In System 1 management (exploitive - authoritative), managers make all work-related decisions and order their subordinates to carry them out. Standards and methods of performance are also rigidly

set by managers. The managers feel little trust or confidence in subordinates, and threats and punishment are the primary means of getting performance from subordinates. Very little real communication exists. Finally, control in the "Exploitive-Authoritative" system is concentrated at the top.

In System 2 management (Benevolent-Authoritative), managers still issue orders, but subordinates have some freedom to comment on these orders. Subordinates are also given some flexibility to carry out their tasks but within carefully prescribed limits and procedure. Managers have a condescending confidence in subordinates, and subordinates are cautious when dealing with their managers. Managers use rewards and some punishment to motivate subordinates. Decisions are made at the top, although some delegation does occur. Still, communication flow is primarily downward, with control to a large extent exercised by top management.

In System 3 management (Consultative), managers set goals and issue general orders after discussing them with subordinates. Under this approach subordinates can make their own decisions about how to carry out their tasks, since only broad, general decisions are made at the top. Rewards, rather than the threat of punishment, are used to motivate subordinates. With communication flowing up and down, a moderate amount of teamwork can be found and the function of control is moderate delegation to lower levels.

In System 4 management the "Participative" management system is the most favorable management style. Under system 4 goals are set and work-related decisions are made by the group. If managers formally reach a decision, they do so after incorporating the suggestions and opinions of the group members. Under this system, extensive trust and confidence in subordinates is found. Interaction between managers and subordinates is frank, and friendly and information

flows freely with control being shared rather being the prerogative of higher level managers.

Likert's studies found that low productivity organizations tended to use the System 1 and 2 styles of management. On the other hand, high productivity organizations tend to use System 3 and 4 management. He therefore concluded that System 4 management is the desirable form of management in a wide variety of work conditions. These four management systems will be mirrored in the U. S. and Korean management systems and serve as a basis for comparing the two countries' management systems.

2. Previously Identified Characteristics by Using the Likert's Organizational Profile

From 1966 to 1970 staff members of the University of Michigan's Institute for Social Research launched a five-year study for the American management system the Inter-company Longitudinal Study (ICLS) [Ref. 26 p.i].

The Michigan ICL Study from more than 20,000 managers and 200,000 non-supervising employees in American business firms were measured using the Survey of Organizations instrument which identifies certain critical dimensions of management: managerial leadership, organizational climate, peer leadership, group processes and satisfaction. This study was concerned with the independent variable which Likert classified as the management system, representing the essential organizational elements of human resources primacy, communication flow, motivational climate, decision-making practices, technological readiness, lower-level influence, support, interaction facilitation, goal emphasis, work facilitation, group process and satisfaction. Here support is concerned with behavior toward subordinates and work group that lets them know they are worthwhile persons doing useful work; Interaction facilitation, team

building, behavior that encourages subordinates to develop close, cooperative working relationships with one another; Goal emphasis, behavior that stimulates a contagious enthusiasm for doing a good job(not pressure); Work facilitation, behavior that removes roadblocks to doing a good job; Communication flow, whether information flows effectively upward, downward, and laterally in the organization; Decision-making practices, how decisions are made in the organization, whether they are made effectively, at the right levels, and based upon at the available information; Human resources primacy, whether the climate indicates that people, their talents, skills, and motivation are considered to be one of the organization's most important assets; Lower-level influence, whether lowest-level supervisors and employees feel they have influence on what goes on in their department; motivational climate, whether conditions and relationships in the environment are generally encouraging or discouraging to effective work; technological readiness, whether the equipment and resources are up to date, efficient, and well maintained; Group process, how the group functions; satisfaction, whether employees are satisfied with economic and related rewards [Ref. 27 p.29-30]. All variables were measured on a 5 point Likert type scale with System 1 represented by number 1.00 to 1.99; System 2, 2.00 to 2.99; System 3, 3.00 to 3.99; System 4, 4.00 to 4.99.

The results of these measurements from the ICL Study for the American management system is shown in Table I [Ref. 28 p.148].

Figure 2.1 presents the profile mean scores for the indexes and the combined scores. To obtain a comprehensive picture, the means for each of the ten variables were totaled and divided by ten, giving the overall mean for sample group although it is slightly different from the actual mean which should be calculated from total scores for

TABLE I
Indices of Organizational Variables for the U.S.
Management System

<u>variable</u>	<u>mean*</u>	<u>standard error*</u>
Support	4.05	0.89
Interaction facilitation	3.55	0.92
Goal emphasis	3.95	0.89
Work facilitation	3.15	0.88
Communication flow	3.34	0.80
Decision-making practices	3.08	0.80
Human resources primacy	3.54	0.84
Lower-level influence	2.78	0.93
Motivational climate	3.62	0.71
Technological readiness	3.48	0.75
<hr/>		
Total*	3.45	

*Mean for the U.S. management system was compiled by University of Michigan ISR; The scores used here are average scores for top two managerial levels.

*Standard error is approximately 500 randomly selected cases for U.S. mean.

*Total is not shown in original source.

all questions representing ten variables divided by all questions employed. This discussion that follows draws its data from Table I and Figure 2.1.

a. Support

Support is described as behavior toward subordinates and work group that lets them know they are worthwhile persons doing useful work indicated that they feel it is considerably friendly and easy to approach to their supervisor and one another in work group. And also they feel

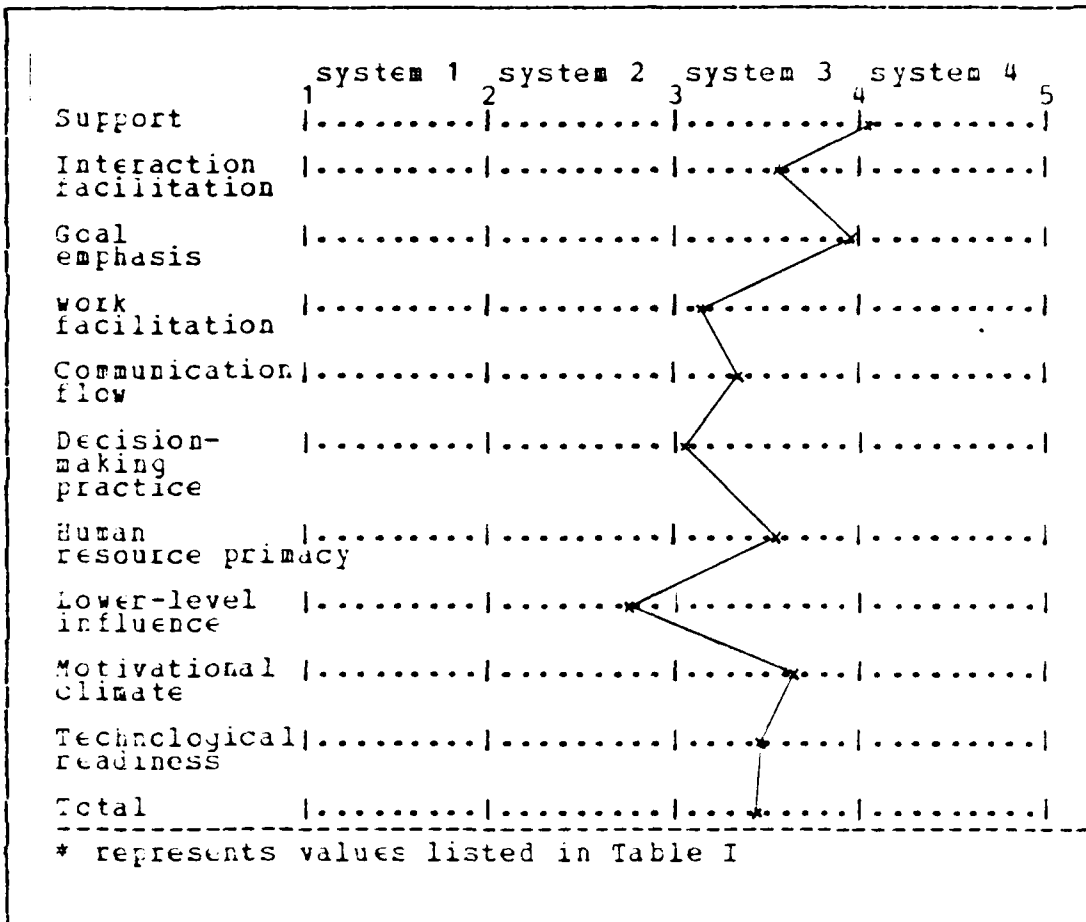


Figure 2.1 Profile of Indexed Variables.

their supervisor and work group are likely to willing to listen to their problems. The support index mean is the highest among ten variables and it placed at the low end of System 4. This means that in the United States subordinates are highly regarded as worthwhile persons doing useful work. Therefore the American management system is in its most desirable state, participative mode in terms of support.

b. Interaction Facilitation

Interaction Facilitation is concerned with team building. The American management system reported substantial amount of subordinates' ideas and opinions are encouraged. Also in the United States team work is encouraged in work group even between subordinates and their supervisor. The Interaction Facilitation index placed at the mid-point of the System 3.

c. Work Facilitation

While Interaction Facilitation measures managerial leadership behavior of interpersonal nature, Work Facilitation is oriented toward the task. The study showed that there existed some roadblocks to doing a good job. Supervisors have to be willing to provide the help their subordinates need so that they can schedule work ahead of time and to offer new ideas for solving job-related problem. Lack of help with work tends to exist between work groups. From this viewpoint the American management system is in System 3.

d. Goals

The Goals of American business organizations were stated as being established by orders after some discussion. Although goal-setting by group action not by order is desirable, it looks like a difficult task. The reason is that top management might expect subordinates to accept mandated goals because "top management knows best". The American management system is in System 3 in terms of this index. In general, supervisors maintain high standards of performance and thus people are usually encouraged to give their best efforts for the organizational goal.

thus the average production indexes of major commodities were doubled in 1949 [Ref. 32 p.27-28].

Although recovery from the post-war dislocations was seemingly rapid, the Korean War wiped out these gains. The War destroyed almost half of the manufacturing plants existing in 1949. Thus at the time of the cease-fire, the economy had barely recovered the production levels achieved in the early 1940s. All sectoral products decreased between 1940 and 1953 [Ref. 32 p.39]. With the exception of a few small areas, the whole peninsula was ravaged by war. In terms of lost lives, physical damage, and human suffering, the war was a disaster.

During the unstable period between the Liberation and the War, some of the physical Japanese inheritance, so-called "vested property", which was controlled first by the U. S. Military Government and then by the new Korean government, was transferred to several businessmen, who were generally either former employees or stockholders of the firms. The OB beer company was taken over by a Korean minority shareholder in the parent Japanese Kirin Company. He is the founder of today's Doosan Group. A technician in a Japanese textile firm became acting manager under the Americans, later bought the plant, and built it into the Sunkyun Group. A similar sequence was followed by the only Korea employee of a Japanese explosive firm, and it grew into today's Korean Explosive Group [Ref. 5 p.36].

After the Korean War, the government necessarily emphasized the reconstruction of infrastructure and industrial facilities. This reconstruction and other price stabilization programs were largely financed and supported by the United States and United Nations assistance. Despite large inflows of foreign assistance, rapid inflation continued during the immediate post-war period. Under these circumstances industrial policy was mainly inward-looking.

TABLE IV
Occupations of Active Male Population, 1944 (1,000s)

	Japanese	Korean
Managerial	3.4	7.2
Professional and technical	14.5	27.9
Clerk and other white-collar	53.4	172.4
Civil servant and small businessmen	38.2	122.1
Laborers	74.6	6,292.3
Total	134.1	6,622.3

participated directly in the modern growth of the 1960s and their offspring played a major role in today's Korean economic development.

4. Liberation and War Period (1945 - 1960)

With Liberation in 1945, Korea was left with a small number of trained and experienced citizens, professionals, businessmen, administrators and political leaders. At the same time, the Japanese left over 2,500 operating industrial and business enterprises as well as inventories, real estate and 15 percent of the nation's land [Ref. 5 p.30].

During the period of the U.S. Military Government (September 1945 to August 1948), industrial output dropped dramatically showing the output for 1948 was only 14 percent of the 1938 level owing to the loss of managers and technicians, the closing of markets in Japan and Manchuria, and the separation from output and input markets in the north [Ref. 5 p.31]. The Liberation and sudden partition of the country created extreme disorganization in every aspect of Korea society. Despite the political chaos and economic disorganization and disruption in many production activities, industrial production started to recover in 1947 and

TABLE III
Enterprise Expansion, 1911 - 1929

period	Number of Companies				Total
	Korean	Japanese	Joint	Foreign	
1911	27 (17.8)	109 (71.7)	16 (10.5)	0 (0.0)	152 (100.0)
1919	63 (17.2)	280 (76.5)	22 (6.0)	1 (0.3)	366 (100.0)
1929	362 (20.5)	1,237 (70.0)	165 (9.3)	4 (0.2)	1,768 (100.0)

representing 91 percent of paid-in capital. However, Japanese firms accounted for only 59 percent of all business establishments in Korea, implying that Korean firms were generally small-scale and that large establishments were mostly run by Japanese [Ref. 5 p.25].

The dominance of Japanese capital and entrepreneurialship was matched by a dominance of Japanese technical manpower. Japanese were recruited to fill many of the managerial, technical and even laboring positions. In 1943, 81 percent of the "technicians and engineers" positions in manufacturing were Japanese. As shown in Table IV, Koreans outnumbered Japanese in white-collar positions by only two or three to one [Ref. 5 p.26].

In sum, under the Japanese occupation, modern commercial and industrial activities were overwhelmingly dominated by the Japanese. During this period, many Koreans did gain substantial exposure to the world industry; the future bureaucrats, entrepreneurs, and managers of Korea had a chance to make themselves familiar with the Japanese practices and experiences. These early industrialists

TABLE II
Net Value of Commodity-Product, 1910-1940

period	Value of Net Commodity-product total*	manufacturing	share of manuf- -acturing in NCP
1910	645	21	3.3
1914	864	25	2.9
1919	814	69	8.5
1924	970	80	8.3
1929	1,141	137	12.0
1936	1,478	290	19.6
1940	1,661	364	21.9

* in million yen at 1936 prices

During the first two decades, the Colonial Government emphasized agricultural development to supply their food-stuffs by encouraging Japanese investment in agriculture. Commercial and industrial activities were discouraged by the Company Regulations, which required anyone establishing a new corporation in Korea to get permission from the colonial authorities. This policy was, however, relaxed after World War I and encouraged some investment in mining and manufacturing industries. As a result, a large number of small factories were established to process Korean raw materials as shown in Table III [Ref. 5 p.25]. Although manufacturing activities increased substantially during this period, small and medium-sized agricultural processing and household industries were still dominant.

From 1930 to 1945, which encompassed the Sino-Japanese War and World War II, the Japanese concentrated on heavy and chemical industries related mainly to military supplies. This expansion came primarily from industrial plants owned and operated by Japanese. By 1941, Japanese owned 59 percent of the manufacturing firms

future business managers. However, Korean domestic merchants were ultimately unable to compete with the Japanese merchants. An illustrative story follows;

The Japanese merchants came to Korea together with their goods and had Japanese retailers to sell their goods in town and even in rural villages. The Japanese also purchased farm products directly from farmers for export to their country. At the beginning, the Japanese merchants hired Korean brokers for collection of farm product, but gradually removed such brokers and dealt directly by themselves as Japanese came in large numbers. The indigenous merchants of Korea were therefore excluded from trade with Japan [Ref. 5 p.21-22].

In summary, although the opening of ports to the outside world led to an expansion of foreign trade and enhanced to steps toward the industrialized society, Korean manufacturing and commerce activities could not compete with other countries, especially Japan. Thus Japanese merchants held a virtually "monopolistic position" in Korea trade. However, in spite of the Korean businessmen's handicaps in terms of numbers, business skill and monopoly trading rights occupied by the Japanese, these early Korean merchants made a significant contribution to business growth by spawning modern entrepreneurs.

3. Colonial Period (1910 - 1945)

Economic growth in Korea was substantial during the Japanese occupation as shown by the net commodity product (NCP) series in Table II. During the three decades of colonial rule, real manufacturing NCP grew at an annual compound rate of 10 percent and increased seventeen fold [Ref. 5 p.22]. Industrialization also proceeded rapidly, particularly during the last period of occupation. Impressive though the rapid industrialization and high rate of economic growth are, these were designed to meet Japanese, not Korean, needs.

its basis for economic aggression on the peninsula. The Japanese looked to Korea's agricultural production to meet domestic demand, which was soaring commensurately with Japan's population growth. The Japanese turned to usury to exploit Korean peasants by making them dependent upon Japanese capital. Japanese exports to Korea consisted initially of Western, especially English and American commodities. Later, Japan retained these European goods for domestic consumption and gradually replaced them in Korea with Japanese products of inferior quality.

During this period great quantities of Japanese textiles and other manufactures were sent to Korea. Japanese immigrants had good prospects for managerial and entrepreneurial positions. Some Japanese bought land and played the role of landlord. They were also involved in mining and fishing. According to statistics, in 1908 there were 79 incorporated Japanese manufacturing firms compared with 6 owned by Koreans. Japanese dominated in factory manufacturing and played a managerial role while Koreans were confined to household production and the role of unskilled labor in Japanese run factories [Ref. 5 p.19-20].

The influx of modern thought caused some Korean aristocrats in the early period to become involved in some business. An example is the banking industry. Six Korean banks were established during this period. All banks except one were founded by aristocrats and members of the high class were positioned as managers throughout the sector. Besides, former government officials found several railroads. These efforts of Korean aristocrats were regarded as patriotic conduct to thwart foreign domination stimulated by widespread anti-Japanese feeling in Korea [Ref. 5 p.21].

Meanwhile, the role of merchants cannot be overlooked, since their accumulated mercantile capital and experience through trading made them a potential source of

which was not conducted at fairs was handled by peddlers since there were few stores. Manufacturing outside the government monopolies was allowed only in strictly limited areas and the foreign trade which was primarily conducted with Chinese was confined to tributed contractors and government-licensed merchants [Ref. 5 p.19].

Following the influx of Catholicism at the end of the 17th century, the traditional value system oriented Confucianism began to change. Equity, human dignity, equal opportunity, public welfare and the advancement of the national economy were the conspicuous philosophic principles that emerged in this period. This development in 17th and 18th century Korea is in some respects reminiscent of the Western European Renaissance.

Economic development and social improvements began to grow rapidly in the early 18th century. People in general thought foreign ideas and European commercial enterprise in particular should be seriously considered. As a result, aristocratic sector of the economy was weakened and private artisanship grew.

2. The Transition Period (1876 - 1910)

The opening of ports by the Kanghwa Treaty with the Japanese led to a struggle for power among foreign countries, especially China, Japan and Russia. The competition between powers for hegemony brought the dynamic elements into the traditional Korea economy. By the end of the period, the Russians had established a match factory and invested in mining and lumbering; Americans owned a gold mine and a power station and they were involved in rail and tramway construction; France, Germany, Britain also invested in mining and rail construction [Ref. 5 p.19].

Among the foreign powers, Japan had overwhelmingly influenced the Korea economy. Japan had already concluded

aristocrats, farmers, artisans and tradesmen. "Yangban"(noblemen) monopolized most of the lands and were ruling classes. The common people, who constituted the majority, engaged in agriculture in the country and a few men of low birth in industry and commerce. These are all roadblocks to being a industrialized and modernized country.

In fact, the government prohibited sea trade and refused to let foreigners or Koreans pass closely guarded borders; as a result, there was no trade with foreign countries. Internal commerce was also discouraged by the government and limited by an inadequate monetary system. Industrial and commercial development were virtually nonexistent. There was little specialization and there were no factory operations since everyday necessities were manufactured with a small-scale, labor-intensive "handicraft" production technique in the home. When the service of craftsmen were needed these craftsmen came to the house, for they had no workshops. Even potters and blacksmiths who needed special materials or heavy equipment did not locate permanently but moved from place to place as their raw material supply began to dwindle.

During the Yi dynasty(1392 - 1910) economic activity was segmented into royal aristocratic and commoner segments. A number of specialized craftsmen had worked to supply needs for the royal court and raw materials usually came from levies on the population. On the other hand, metropolitan merchants in a more common segment lent funds to local craftsmen to cope with increasing needs for people in a form of wage-laborer system. These arrangements may be regarded as constituting the origins of manufacturing stage if not the being of an modern factory economy [Ref. 31 p.4].

Private sector activities were strictly controlled and limited. The principle trading activity took place at periodic fairs (generally at 5 day intervals). The business

Korean business and explore the characteristics of the Korean management system along with the cultural background. Furthermore the survey results from the private sector will be discussed to validate our general views for the Korean management system.

A. DEVELOPMENT OF KOREAN BUSINESS

1. Hibernation Period of Business

Korea, which remained a completely closed pre-modern society until 1876, when it was forced to open its door to the outside world by the Kanghwa Treaty with Japanese. It had been the "Hermit Kingdom", a small country in the Far East. Following the opening of ports to Japan, persistent demands were made for commercial relations by other countries, including China, The United States, Britain, Germany, Russia, Italy, and France [Ref. 29 p.3]. Although Korea signed commercial treaties with many other countries, by this time Japan dominated the Korean commercial markets. Since 1878, Japan's Daiichi Bank had operated a branch office in Busan, encouraging Japanese merchants to infiltrate Korea [Ref. 30 p.474]. Japanese merchants purchased rice, soy beans, cattle hide and alluvial gold at artificially low prices and reaped exorbitant profits at home. Korea was faced with the pressing need to derive some means of protecting the national economy.

Let us turn our attention for a moment to the period immediately before the opening of the country to the West. The government followed an exclusionary policy that had adverse effects on the economic situation. Moreover, the traditional idea of Confucianism was widespread from generation to generation. From the Confucian's viewpoint, commerce and industry were placed at the bottom of the strict "Four Classes" system which lists hierarchically the four classes;

III. KOREAN MANAGEMENT SYSTEM

The rapid industrialization of Korea and its emergence on the world market as a formidable competitor are remarkable events in recent economic history. . Despite limited natural resources, Korea is well endowed with the human capability for economic success. Most research indicates that one of the significant factor underlying Korea's rapid economic growth appears to have been the availability of considerable entrepreneurial talent, cultivated during the decade of the fifties. This commercial florescence was at least partly rooted in government policies which created strong incentives for undertaking industrial investments. Not only did the government subsidize finance at concessional rates but it also secured monopolistic advantages for the new enterprises by erecting tariff barriers to the flow of foreign goods. This may not have provided the firmest basis for sustained economic progress, but it did create experience for a group of entrepreneurs whose capabilities and resourcefulness under subsequently more demanding conditions of development have been amply demonstrated. In short, the role of business and the role of government have both been large, and the interrelationship of government and business has been at the heart of Korean development process.

Indeed, most of Korean industrial growth has come in the private business, so that the extraordinary growth of the 1960's is manifest in a concomitant blossoming of entrepreneurial activity. Although the influence of Korean managerial practices is quite evident in Korean growth, little attention is paid to their management systems. In this chapter the authors will review the development process of

In summary, the American management system is characterized by personal emphasis on individualism, with a consequent sense of little belonging to the organization; preference for specialist rather than the generalist ; decision-making by individual is quick ; prevalence of scientific management and professionalism is based on rationality; high labor mobility is common rather than lifetime employment; emphasis is on conflict management, with a desire for all conflicts to be surfaced and confronted. From the science-based management viewpoint, it was operating at the consultative mode(System 3) which makes possible to accomplish the relatively high productivity although it is not an ideal state.

i. Motivation

Measurement of Motivational climate in the United States business organization showed that the management system is in the consultative mode, System 3. Disagreements between persons or units were handled in such a way that sometimes disagreements were accepted and worked through. Sometimes they were avoided or suppressed. Generally people in the American business firms work hard to keep their jobs, make money, and to seek promotions. Motivational climate is usually in favor of encouraging people to effective work. Without question, if the motivation is high, we can expect that high productivity can be noted.

j. Technological Readiness

Technological Readiness describes whether the equipment and resources are up to date, efficient, and well maintained. The study shows that the American business firms were generally quick to use improved work methods. In addition to this, the moderate amount of adequate, efficient and well-maintained equipment and resources were reported. This organizational climate is especially important to highly sophisticated business and industry. Based on these findings, the technological Readiness index mean placed at the mid-point of the System 3.

So far we viewed the American management system in terms of ten independent organizational variables which Likert classified as the management system. The conclusion was drawn that, in the comprehensive view with an overall mean, the American management system was operating at the mid-point of the System 3, consultative mode. Although this means that American business firms' organizational productivities are relatively high, it is still far from its ideal state, System 4.

work-connected decisions. Based on these findings, managers in American management system should probably examine more closely their Decision-making process.

g. Human Resources

Human Resources were highly appraised in the American management system. In general, the United States business organizations had a great interest in the welfare and happiness of their employees. They also tried to improve working conditions. They seem to know that productivity is mostly influenced by people, their talents, skill, and motivation. In fact, those factors are considered to be one of the organization's most important assets. The Human Resources index mean placed at the mid-point of the System 3.

h. Lower Level Influence

Lower-level Influence is concerned with influence on their department. Based on findings, this index mean is the lowest among ten variables and it placed at the upper part of System 2. From this result we concluded that in the American management system lowest level supervisors and employees did not feel they have influence on what went on in their unit or department. Thus different units or departments have little sense of coordination. Nowadays, a fragmented approach to maximize its own departmental productivity can not accomplish the organizational goal as a whole. It is required to consider a synergy concept to survive in the complex world business industry. From this viewpoint American management system should consider to derive a more cooperative climate between different units and departments.

e. Communications

Communication was both upward and downward. Substantial amount of ideas and suggestions from subordinates are welcomed by their supervisor and subordinates are told what they need to know to do their job in the best possible way. Communication is directly related to the trust and confidence levels of an organization. Subordinates often conceal and distort their real opinions, problems, and feelings because they fear disclosure may lead to censure or punishment. One-way communication results in top management being cut off from some essential information. Unless an organization utilizes all important information it will not be operating with maximum efficiency. Fortunately, in the United States information flow is in both directions, up and down, giving some trust and confidence in their supervisor and subordinates. Thus the Communication index placed close to the mid-point of the System 3.

f. Decision Making

In Decision-making in the United States, broad and general policy was made at the top with some delegation. Subordinates were occasionally to generally consulted about decisions related to their work. The Decision-making index mean placed at the very beginning point of System 3. These characteristics are in contrast with those of System 4, in which decisions are made throughout the organization but are well integrated. Subordinates are fully involved in work-related decisions. Associated with the level at which decisions are made is the response that subordinates were occasionally to generally consulted about decisions related to their work. So although the actual policy decisions were made at the top, some attempt at subordinate involvement was made by having them somewhat involved with specific

The government not only maintained high tariffs but also devised the various quantitative restrictions in the late 1950s to offset the progressive inflation of the currency. These measures encouraged import substitutions in consumer-good industries. Although some export-promotion measures were undertaken during the period and exports were growing, they remained at minuscule levels throughout the 1950s.

During this period, there was not much new capital for investment. Japanese properties and foreign wealth transferred through aid were distributed at very low price. A few so-called "Chaebol" (wealthy person who owned several companies) enjoyed these acquisition with cheap bank loans under the existing hyper inflationary situation. With hyper-inflation, shortage of supply, "Chaebol"'s monopoly price, restriction of import on behalf of protecting the domestic industries, most "Chaebol" in Korea were able to appear in a short period of time [Ref. 5 p.271].

5. The Period of Rapid Growth (1961 - 1980)

The overall economic performance of the Republic of Korea since 1963 is the most remarkable growth in all of the less developed nations of the world in the post-world War II period. Of all the non-petroleum exporting countries, only the other Sino-centric societies of Taiwan and Singapore have equaled her record, one that is even more remarkable because of the vast destruction in that country during the Korean War.

Some comparative perspective on this achievement is necessary. According to the International Bank of Reconstruction and Development (IBRD) sources, Korea's annual growth rate averaged 7.1 percent from 1960 to 1979 [Ref. 33]. These first few years were discouraging. Even so, over the same period Burma's annual growth rate was 1.1 percent, India's 1.4 percent, Pakistan's 2.9 percent,

Indonesia's 4.1 percent, and the Philippines' 2.6 percent. Industry grew in Korea annually at about 16.9 percent, while India's growth rate was about 5 percent, Thailand's 11 percent, and the Philippines' 7.2 percent. Manufacturing expansion averaged about 17.7 percent over the same period in Korea, but only 4.7 percent in India, 11.2 percent in Thailand and 6.7 percent in the Philippines. Exports showed similar trends.

The principle sources of this economic growth under the government of Park Chung Hee were one consistent, basic policy goal, export-oriented industrialization and efforts of Korean private entrepreneurial groups.

The government was continually stressing that the country was waging an economic war with national survival and the welfare of the masses at stake. Entrepreneurs were the field-grade officers in this battle, and their success was praised by some significant segments of Korean Society. The skepticism of intellectuals and some journalists can be subordinated in the face of official praise and awards for entrepreneurial achievement. This official sanction of entrepreneurial endeavor is particularly important in helping to break down the traditional aversion to business activity.

Along with these non-pecuniary incentives, the government further intensified incentives to exporters through the following measures: preferential credit; indirect tax exemptions on input into export production and export sales; a 50 percent reduction in income tax on export earnings (abolished in early 1973); tariff exemption on imported raw materials and equipment for export production; wastage allowances on imported raw materials for export production; and government support for export marketing activities [Ref. 32 p.46].

As consequences of previous motivation-induced official rewards and physical incentive policies, a high rate of economic growth was mainly attained from the private sector. From 1961 to 1976, real private non-agricultural GDP grew at a compound rate of over 13 percent annually. If this is deemed the output of entrepreneurial efforts, then the net volume of such activity in this period was more than six times that of all preceding Korean economic history [Ref. 5 p.166].

During this period, the size and number of manufacturing establishments indicated the increasing trends. From 1962 to 1974 the number of establishments increased by less than 40 percent, while size tripled in terms of employment per establishment and rose nine fold in terms of value added per establishment. The sources of real growth in value added showed that growth in average size(old firms at new size) is 72 percent, growth in number of firms(new firms at old size) 3 percent and gross product(new firms at incremental size), 25 percent. This shows that growth in value added is due first to expansion of existing firms, second to entry of offspring firms, and only a 3 percent to net entrance of new entrepreneurs. This is equivalent to saying that the qualitative result of a successful firms' management has expanded the economic activities rather than quantitative changes with new entries [Ref. 5 p.170].

Many business firms contributed successfully to Korean economic growth during this period. Among those firms the following five Korean leading companies can be selected to illustrate the diversity that characterizes Korean entrepreneurial success. According to Forbes, these five companies are listed as a "200 largest foreign companies" and each group's total revenue in 1983 is as follows;

1. Hyundai Group (shipbuilding, motor vehicles, industrial equipment): \$9.3 Billion,

2. Samsung Group (electronics, appliances, textiles): \$7.2 Billion,
3. Lucky-Gold Star Group (petroleum, electronics, appliance): \$7.2 Billion,
4. Daiwoo Group (shipbuilding, motor vehicles, industrial equipment): \$6.3 Billion,
5. Sunkyung Group (petroleum, chemicals, textiles): \$6.2 Billion [Ref. 34 p.137].

So far we focused on the development of Korean business. As we noted, Korea has a short history of business operation. Before the 1940's there were only a few Korean entrepreneurs in a modern sense. However, during the last three decades, a rapid change of traditional ideas, i.e., the virtual destruction of the Korean social stratification system, strong support by consistent government policy, and the availability of considerable entrepreneurial talent made it possible to boom the business and thus Korean business firms appeared as a formidable competitor in world business. Now let's focus our attention to cultural background which is emerged in the Korean management system.

B. CULTURAL BACKGROUND

1. Cultural Homogeneity

Of all the countries in the world, Korea is the most culturally and ethnically homogeneous. In Korean society, the racial, cultural, and religious schisms that cause marked inequality in many countries (India, Indonesia and the United States etc.), are absent in Korea. This gave Korea a comparative advantage and helped speed the process of Korean growth. This homogeneity obviated the need to create a sense of national unity among disparate groups, and such unity was in general reinforced by the perceived threat from North Korea. In contrast with other societies, there was no

necessity to redress previous patterns of discrimination against minorities if the nation were to grow relatively equitably. It allowed the country to move ahead without any political or social adjustment to the vested interests of a small ethnic elite, or at the expense of culturally differentiated groups. Education was able to pervade the nation easily without the road blocks of separate language or significantly different dialects.

This relative homogeneity extends beyond ethnicity to a cultural context that can be characterized as essentially secular. Religious differences do exist, but in Korean society religion is more of a peripheral, rather than a dominant factor in social organization and life. Religion is a residual identification, not a primary focus for most. Relative to other societies religion plays an extremely minor role in differentiating the entrepreneurial elite from the population as a whole.

After the Japanese occupation (1910) Korean society has changed much, though, it is still deeply rooted in the traditions of the past. It is their culture, inspired and perpetuated under the most trying circumstances, of which the Korean people are justifiably proud, other than mere longevity. These traditional patterns have found their most fundamental expression in the relations of kinship. Korean people have traditionally thought it natural to show filial piety to their parents who gave them birth and brought them up. They recognize a moral duty to repay the benefits given to them by their parents both during their lives and after their parents have passed away. They have observed this custom from the earliest period of their history.

Filial piety and old age have been regarded as the same thing. The people were to respect old people and their grandparents. Thus, the ethics of respecting the old people were established and this kind of thought has been a great

help in maintaining social order. The habit of seating elderly people in the place of honor in any sitting room, and of being careful in words and behavior before them are some of the ethics and cultural behavior produced by Confucian culture. Order based on rank has become the absolute standard for Korean people and for the formation of Korean national personality. Disobedience to parents and elderly people or insulting people are not tolerated in society. The reason why Koreans are so strict about filial piety is that it is Korean cultural, spirit, living creed, platform for conduct, and custom. Therefore, when filial piety is lost, family order will collapse, a society will become chaotic and lose centripetal force.

2. The Role of Confucianism

Confucianism provided a theoretical base and a systematized order and implanted norms in human relations and demanded that people should observe them. Confucianism became the basis of relations between parents and children and indicated the relations between husband and wife, sovereign and subject, old and young, and friends. As human activities increased, Confucianism and its moral rules governing the Five Human Relations have continued to grow in importance. Confucianism is deeply rooted in the view of life of the Korean people. Confucianism has extensively dominated their thoughts and activities.

Confucianism has generally been regarded as backward-looking rather than forward-looking. Its stress on the mythic golden age of the past has supposedly by its nature turned the populace against views of a progressively better future. Its emphasis on traditional learning, and especially on moral values, has undercut acceptance of more technologically oriented education. It regarded commerce and entrepreneurship as low on the scale of accepted

occupations and encouraged the young to become scholars or bureaucrats. Its highly competitive examination system, incorporated into the Korean state structure at the end of the 14th century placing emphasis on the culturally "superior man" was, it was felt, harmful to modernization. The hierarchical relationships fostered first in the family, and its stress on the primacy of this elemental social unit, then extended up the hierarchical ladder to the sovereign, negated progress towards egalitarianism and democracy. It limited non-familiar and non-clan relations. Thus, it was argued, confucianism retarded the sense of social cohesion beyond strictly parochial interests, was undemocratic and had an uneconomic focus.

Confucianism is not a religion, but a living philosophy. It has presented norms for men to observe in their daily lives. Human beings should live a right life and observe the norms in order to lead it. They could be happy only by realizing harmony through the observance of the norms. To this day, many aspects of Confucianism remain central to the Korean character, for good or ill. Indeed, the stress on the moral qualities of loyalty (especially to the state) and filial piety, so evident everywhere in Korea is part of the Sae-Maul (New Community) Movement, and the Sae- Maum (New Mind) Movement, a by product of that effort.

In a sense, the Confucian system is alive, well and living in Korea. Indeed, the ideal image of society and of the role of education in Korea is almost identical to those advocated by the Confucian system several hundred years ago. It has been, however, this strong emphasis on moral education and discipline, including self-discipline, that has been a positive attribute of the Korean educational system. The contemporary Korean state, used the Confucian ideology to support the continuity of its regime as have all traditional government's under Chinese influence. Overall, the

Confucian ethic has been an important factor in Korean growth.

C. GENERAL CHARACTERISTICS OF THE KOREAN MANAGEMENT SYSTEM

Although Western traders and military spearheads (American, Russian, French) began to enter Korean Waters in the 1850's and 1860's, Korea was unprepared when thrust into the world by outside events, chief among which were the imperial aspirations of Western countries and their recently aroused interest in the Far East, and the Meiji restoration in Japan. After the annexation of Korea by the Japanese, Korean society was changed a lot in terms of social stratification and traditional values. However, by the colonial domination of the Japanese, Korea's own entrepreneurial activity was very weak. Thus, in practice, Korea has only a little over 35 years of tradition in private enterprise in the modern sense.

From the beginning to the middle of the 20th century the Western countries and Japan were concentrated on the development of the scientific technique which provide the basis for the modern civilization and national wealth. In the meantime the Korean society, has suffered severely from political and social instabilities such as Japanese colonial rule (1910), the Korean War (1950), and student-led uprisings (1960). Also there was an ideologic chaos bringing conflict between traditional ideas and a newly established, modernized consciousness.

Since these political crises and social instabilities had continued for such a long time, there was no chance to accumulate the capital for business activity and thus it resulted in little amount of managerial practices. It is from 1963 that the great surge in economic growth began along with maintaining the social stability. Hence, Korea's

own business tradition and managerial practices have been established on behalf of the stabilization of the national scene for the last two decades.

There are several observers who regarded Korea as "a second Japan". In a sense, it is true that Korean management patterns were influenced by Japanese practices. Choe, Kwang Sup in A Study of Comparative Management Styles in Japan and Korea, explained the reasons why: "the geographical proximity of the two countries, and the Korean's sense of intimacy with the Japanese way of thought and the way of behavior due to the similar influences from Confucian tradition. This prospect may also be true because of the Korean businessmen's admiration of Japanese techniques. Those techniques are believed to be one of the key factors in the Japanese outstanding economic success". And he also added other reasons: "the two hardships of having poor resources and heavy population pressure are common characteristics to each of the two countries and may result in similar prescriptions for dealing with these problems" [Ref. 35 p.50].

However, the Korean management system in the present days is different from that of the Japanese. For example, in decision-making process, the Japanese decision by consensus is a well-known practice. However, in Korean firms, it is a top-down style, not a bottom-up process which is similar to American practices. Japanese permanent employment and seniority systems are also well-known practices of employment while these systems have a weak base in Korean business society due to the different economic conditions in Korea as a whole. In addition, in the Japanese corporations, the influence of the government is not as strong as in the Korean corporations. Now, several generally accepted important characteristics of the management system in Korean business firms will be discussed in this section.

1. Family-kinship Oriented Management

The individual Korean is part of the household which is the basic unit in the family system. Korean custom holds that sons (especially the eldest son) should establish a base for maintaining the family line. If the parental occupation is prestigious, it should be followed; if not, the ideal is to move into traditionally respected government service.

In addition to this household system, the mourning group is another important social unit in a Korean kinship system. A mourning group consists of all those collectively performing "Jesa" (death anniversary rites) for a common patrilineal forebearer up to three generations back. This mourning group functions as a unit of social control and mutual aid. Traditionally mourning group members were held mutually responsible for each other's debts and behavior. Indeed, the family-kinship system of Korea provides the basis for the place for peaceful living, mutual aid and responsibility, familistic ideology, and definitions of the individual's place in society.

In this context, it is not unusual that a large number of the direct family members or the close relatives of the founders and successors have participated in company's operations in many Korean private enterprises. Korean firms are universally individual or family owned enterprises, and the general public is only beginning to participate in equity ownership. A great deal of these firms are still in the hands of the founding individuals or families.

In the family-based industrial conglomerate, so-called "Chaebol", chairman is a nucleus of the group. He is a typical entrepreneur in terms of maintaining the strong leadership, making the bold and risk-taking decisions and holding the absolute power. He finds one enterprise at first and play a role as a president. Next he establishes another

enterprise and holds new presidency leaving his prior management position to one of his family member. Then he moves on to another venture repeating the above procedure and eventually he becomes a "chairman" of the group. Most shares and top managerial positions in the various companies are held by the chairman and his family or relatives. There is a tendency that professional managers are increased in terms of their numbers and role, however, guidance and direction for the company and its subsidiaries are strongly held in the hands of the chairman.

As we noted above, in the family-run companies, the founders play a major role in the management. They have an absolute power for company operation. Thus the important decision-making for the major company concerns, is usually done by founders. Sometimes, for top management decision-making, a proposal is initiated by a staff member with a reasonable analysis. However, the final decision is absolutely made by the founders. This rule is applicable to those subsidiaries. The major issues or plans of the subsidiaries are still reported to and approved by the founders prior to any final decision-making. Once the decision is made by the founders, there is little chance to change that decision by staffs. The reason is that Confucian society gives a strong emphasis on superior and subordinate relationships and on the fulfillment of duties to superiors. Also objection to final decisions could be regarded as a challenge to founders and cause some unfavorable results for an opposer. Generally, family members or relatives (owner's brothers, sons, nephews, and sons-in-law) are adopted without an open competition examination, which is prevailing in Korean business firms as a means of personal selection, including high level management positions. Their strong influence and monopolistic possession of the top managerial level could cause employee discontent and create a morale problem. To

deal with these negative aspects of organizational climate, some companies such as Daiwoo have maintained the policy that all managerial positions and promotion to higher level must be based on the individual performance by open competition. Although the number of executives who joined the company through open examination and who have worked for the company for a long period of time was increased gradually, the larger business groups still constitute their executive positions with family or relatives of the founder.

Among the family-run conglomerates several Korean business founders transferred their top managerial positions to their second generation successfully. The eldest son of the founder of the Lucky-Gold Star Group assumed top management responsibility. The founder of the Sunkyung Group transferred his power to his younger brother. Also the Samsung Group's top managerial position is held by the third son of the founder. Until now the Hyundai Group's top managerial responsibility is still retained by the founder. However, his second son (since the eldest son was killed by a car accident) will be expected to take the founder's power [Ref. 36]. Indeed, succession of the founder's top managerial responsibility by the son (especially the eldest son) or other relatives is regarded as an unwritten law in the Korean family-run business firms.

2. Dominance of the Young Managers

The elite of the contemporary era in Korean society have risen to positions of great power, particularly the military and businessmen. Given the Confucianist heritage system this is not understandable since the high status of the elite should be civil servants and university professors. This real revolution that occurred in Korea was not the political revolution by the military in 1961, but what might be called a social revolution, a result of the

military one that pushed the young military leaders who were largely in their early 40's into high positions in many administrative and economic functions of the society. Therefore, it seems to be natural that the Korean managers are younger than those of any other country. This evidence appeared in the survey for the Korean private entrepreneurship by Korea Development Institute(KDI) in 1976. According to this survey, the Korean private enterprise entrepreneurs and managers are in their late 40's or early 50's [Ref. 5 p.216].

The military leadership around ex-president Park could take credit for having provided the main impetus for Korea's spectacular economic growth and development during the 1960s and 1970s. The goal of the government can perhaps best be described as that of creating a society that is disciplined and harmonious and yet at the same time technically advanced and economically efficient. To accomplish this objective, the government needed more fresh and new-minded young officials. As high ranking positions of the government were filled by a group in their 40's in order to meet this need, all sectors in Korean society were likely to fill younger people in their major positions. In addition, most of the private business firms expanded their economy of scale since the economic development policies were established and implemented by the new young cohort officials. This means that rapid mobility is inevitable and thus it resulted in the accelerated promotion of capable young employees to the position of managers. During last two decades these young managers have greatly contributed not only to making the excellent company with their well-established management techniques, but also to the remarkable economic growth of the country.

There are some negative aspects caused by young managers. Although those young managers are highly educated

they are less experienced in today's complicated economic environment. Thus, in the process of company operation, these young managers made many mistakes which resulted in extraordinary losses to the company and nation. In the most conspicuous instance is the Yulsan Group. Mr. Shin, Sunho established this company at the age of 33, with ambitious driving force. This company was the newest and fastest growing conglomerate of the 1970's. However, it collapsed in the spring of 1979, causing a lot of debt and unemployment.

Nowadays human society is very complex and world business markets are crowded with competitors. In order to survive from this severe competition, they always need advanced techniques in terms of managing an organization. This is largely accomplished by a modern scientific management knowledge. It can be said that the stage of Korea in the world market as a "new challenger" is due to the major role of Korean brilliant young managers. As a matter of fact, given Korea's export orientation, highly educated young managers were essential to provide the breadth of perspective and urbanity necessary for dealing with foreigners.

The tendency of the Korean society to have somewhat younger managers in all areas can be also explained by the social environment of Korea. Until the end of World War II, only a few Korean teenagers had attended the modern school education. At those days there were not many schools available in Korea. In addition, most Koreans were poor. Therefore, only a few richmen had a chance to get a higher education. As a consequence, there were only a few highly educated candidates in terms of modern scientific knowledge to replace the managers who were in their 60's or 70's when full-scale business activities started in Korea in the early 1960's. After Liberation, Korea has risen from poverty to

1. Group Process

Question 25, 26, and 27 were developed to indicate the processes and functioning of the work group "as a group".

Question 25. To what extent does your work group plan together and coordinate its effort?

Question 26. To what extent is information about important events and situations shared within your work group?

Question 27. To what extent do you have confidence and trust in the person in your work group?

2. The Sample

The Sample consisted of 350 managers in all levels of 155 Korean business firms from wide variety of industries operated in the United States. As a matter of fact, the authors felt that it is more desirable to sample among the companies operating in Korea to represent the Korean management system as a whole. However, there was a constraint in terms of getting the addresses of those companies to which to mail the questionnaire. Also the authors would expect that the response rate would be very low since managers felt wary of using the two nation's different mailing system. To deal with these problems, the authors selected the Korean companies operating in the United States, which are available to the authors. Of course, it is not strictly a representative sample, however, it is a broad and varied sample by which the authors attempt to represent the dominant characteristics of the Korean management system. Also the authors believed that management philosophy, which seems to have considerable impact on management process and effectiveness and plays a key role to distinguish the American management system and the Korean management system, is

Question 34. How do people work hard in this organization?

1. Just to keep their jobs and avoid being chewed out
2. To keep their jobs and to make money
3. To keep their jobs, make money, and seek promotion
4. To keep their jobs, make money, seek promotion, and for the satisfaction of a job well done
5. To keep their jobs, make money, seek promotion do a satisfying job, and because other people in their work group expect it

j. Technological Readiness

Question 17 and 18 are intended to show the technical aspect of the organization in terms of its willingness of acceptance and its adequate and efficient readiness of equipment, facilities, methods and procedures.

Question 17. To what extent is the organization generally quick to use improved work method?

Question 18. To what extent are the equipment and resources you have to do your work with adequate, efficient, and well-maintained?

k. Satisfaction

Question 30, 31, and 32 in the instrument are items reflecting satisfaction with superior, job and advancement.

Question 30. All in all, how satisfied are you with your supervisor?

Question 31. All in all, how satisfied are you with your job?

Question 32. How satisfied do you feel with your chances for getting ahead in this organization in the future?

Question 19. To what extent does the organization have a real interest in the welfare and happiness of those who work here?

Question 20. How much does the organization try to improve working conditions?

h. Lower-level Influence

Question 28 and 29 are items questioning the amount of influence the respondent's department.

Question 28. In general, how much say or influence does the lowest-level supervisor (foreman, office supervisor, etc.) have on what goes on in your department?

Question 29. In general, how much say or influence does employees (people who have no subordinates) have on what goes on in your department?

i. Motivation

Question 33 and 34 in the instrument are concerned with information for the way of solving conflicts and disagreement and for the major reasons leading employees to work hard.

Question 33. How are differences and disagreements between persons or units handled in this organization?

1. Disagreements are almost always avoided, denied, or suppressed
2. Disagreements are often avoided, denied, or suppressed
3. Sometimes disagreements are accepted and worked through; sometimes they are avoided or suppressed
4. Disagreements are usually accepted as necessary and desirable and worked through
5. Disagreements are always accepted as necessary and desirable and are worked through

Question 3. How much does your supervisor encourage people to give their best efforts?

Question 4. To what extent does your supervisor maintain high standards of performance?

Question 11. How much do persons in your work group encourage each other to give their best efforts?

Question 12. To what extent do persons in your work group maintain high standards of performance?

e. Communication Flow

Question 21 and 22 are intended to ask about the flow of information upward and downward directions.

Question 21. How receptive are those above you to your ideas and suggestions?

Question 22. To what extent are you told what you need to know to do your job in the best possible way?

f. Decision-making

Question 23 and 24 in the instrument are concerned with decision-making practices, namely, selection of the appropriate decision-makers in various instances and consultation with those affected by certain decisions.

Question 23. In the company, to what extent are decisions made at those levels where the most adequate and accurate information is available?

Question 24. When decisions are being made, to what extent are the persons affected asked for their ideas?

g. Human Resources Primacy

Question 19 and 20 are intended to evaluate the fundamental aspect of organization climate in which work activities are perceived to be sensibly organized because they begin with a central concern for human resources.

Question 10. To what extent are persons in your work groups willing to listen to your problems?

b. Interact Facilitation

Question 7, 8, 15, and 16 in the instrument are intended to show the team building.

Question 7. To what extent does your supervisor encourage the persons who work for him to work as a team?

Question 8. To what extent does your supervisor encourage people who work for him to exchange opinions and ideas?

Question 15. How much do persons in your work group encourage each other to work as a team?

Question 16. To what extent do persons in your work group exchange opinions and ideas?

c. Work Facilitation

Question 5, 6, 13, and 14 were developed to show the interpersonal relationship for the task.

Question 5. To what extent does your supervisor provide the help you need so that you can schedule work ahead of time?

Question 6. To what extent does your supervisor offer new ideas for solving job related problems?

Question 13. To what extent do persons in your work group provide the help you need so that you can plan, organized, and schedule work ahead of time?

Question 14. To what extent do persons in your work group offer each other new ideas for solving job-related problem?

d. Goal Emphasis

Question 3, 4, 11, and 12 in the instrument are intended to show the degree of aspiration for the accomplishing organizational objectives.

D. SURVEY FOR THE KOREAN MANAGEMENT SYSTEM

Since we could not hope to carry out enough surveys to yield generalized conclusions for the Korean management system, it was decided to administer a "Likert's profile of organizational characteristics" questionnaire in a sample of Korean industries. Thus, the depth of our general view for the Korean management system was to be complimented by the breadth of this survey.

1. Test Instrument

The test instrument used to measure the Korean management system was initially designed by ISR of Michigan University and already adopted to the American business managers to study its management system. In the applying process to our samples, some of the less important questions were omitted in each of categories among 4 main categories (that is leadership, organizational climate, satisfaction, and group process). It was basically the same in nature to measure the key organizational variables for the management system. The data gathering document is included as Appendix A. The questions cover 12 essential organizational elements, as follows:

a. Support

Questions 1, 2, 9, and 10 were developed to evaluate the respondent's behavior toward subordinates and work group in dealing with managerial and peer support.

Question 1. How friendly and easy to approach is your superior?

Question 2. To what extent is your supervisor willing to listen to your problems?

Question 9. How friendly and easy to approach are the persons in your work group?

the president of certain corporation do not coordinate closely with the public officials, the corporation will have a lot of difficulties in planning or operating the business. From this viewpoint, good relationships with governmental officers are important aspects to an employee of a Korean business firm. Close coordination with public officials along with personal intimacy makes it possible to get foreign borrowing under government guarantees, a financial support when needed and in turn expand their economy of scale with high productivity. Accordingly, several former high ranking public officials are invited to top management positions of large companies after they retired from the government organization. These officials are the source of the information for the company's strategic plan and long-run operations. Sometimes they actually influence the public officials because of their prior positions as their leaders.

In the Korean management system, maintenance of good relationships is not only restricted to their employees. Rather it extends to customer. Indeed, close to the customer is a royal road to get the top of business world. Generally best-run companies listen intently and regularly to the customer. Since the customer provides an unparalleled indication of quality, service and reliability. A Korean salesman puts her hand on a customer's shoulder as she walks him to the door and Korean executive invites a business acquaintance home to meet the family. As a more definite example, ordinary Korean companies hold substantial account and support the external activities related to their customers. Many employees at times drink and go to a night club and restaurants with their personal friends or customers virtually at the company's expense. The company pays the receipts returned by the employees after entertaining without thorough confirmations on the receipts. The firms seem to believe that \$100 expenditures bring \$200 profits.

he might be regarded as an impolite person or disloyal man to the organization and in the long run removed from that organization.

Of course, this absolute submission is very dangerous, especially if it is done between higher and lower managers in terms of creating an innovation or promoting a constructive suggestion. In spite of this unfavorable aspect, whenever a lower level manager anticipates his suggestion will cause to break the possible mode of cooperation, he is likely to withdraw his opinions regardless of its rightness. Such a behavior is regarded as a virtue and thus his future might be promised. Although the company may lose its financial gain because it is not able to adopt a subordinate's constructive ideas, his perceptive behavior as a member of organization is still highly appreciated and welcomed in Korean society.

Korean managers try to create a positive attitude in the workforce by demonstrating their diligence and long working hours. According to the results of the entrepreneurship survey performed by the Korea Development Institute(KDI) in 1976, the average weekly working hours for Korean entrepreneurs is 54 , their senior staff is 53 hours, and their ordinary employee is 52 hours [Ref. 5 p.247]. The long working hours of entrepreneurs in itself could bring into effect that all managers and employees participate in their jobs with voluntary and positive manner and eventually such a company could stay on the summit as an excellent company. As one example, the regular working hours of the senior staff of the most rapidly growing "Chaebol", Daiwco, are from 8:00 A.M. to 7:00 P.M. For staffs in foreign branches, necessary language training is provided from 6:00 to 8:00 A.M. daily, with any absences "affecting promotion" [Ref. 5 p.247]. The government had important partners in the growing ranks of Korean businessmen. If the chairman or

ways. One way is by knowing the names of all employees. In a small company of 50 employees, the president would be expected to know all the employees. In larger organizations, it is expected that at least two levels of management above supervisor should know the employees by name and be familiar with personal details. As the father is responsible for his family, some top managers seem to feel strong responsibilities to their subordinates' personal affairs. In this context, it is not uncommon that company pays such expenses as for congratulations, condolences, tuition fees of employees' children. This wholistic concern can be described in another example. When manager goes to the factory or participates in company recreation and ceremonies, however, he rides the same bus, wears the same kind of clothes, and eats the same food. He thus tries to give the impression of sharing a common existence as well as participating in a common enterprise.

Contemporary employees of Korean business firms have made much of the "we-feeling" that appears to dominate relations within a organization and is evidenced most clearly in the dealings that the employees of a particular organization have with people from outside that organization. Attention is often called to the conventional usage of the first-person plural when referring to one's own organization: "Uri Hoesa"(our company) rather than "Nau-i Hoesa"(my company). This solidarity made it possible to produce the so-called "Samsung spirit" and "Samsung men".

Throughout traditional Korean society, the ideal man or woman was one who controlled his or her passions or emotions in order to fulfill to the letter a host of exacting social obligations. Younger persons always had to defer to older persons. These relationships were all based on authority and subordination. Accordingly, if an employee insists on his opinion or shows some unfavorable behavior,

Confucian traditions. The other is the egalitarianism that was introduced by Western-oriented Christian beliefs and is strongly held by the younger generations. Accordingly, to deal with this problem, most Korean business organizations emphasized maintaining the good human relations. As a matter of fact, the conflicts between the traditional ideas of vertical relationship held by most senior managers and modern Westernized ideas held by employees based on egalitarianism could cause some organizational discord and result in low productivity along with causing moral problem.

The emphasis on human relationships includes a concern for the welfare of all employees, and is exemplified on the job by managers' concern for the total employee, not just those aspects that impact today's performance. Managers know that employees in the factory today are more independent and less docile than they were ten years ago. The company can no longer take the same kind of authoritative attitude _ scolding and exhorting employees _ as in the past. Instead, they feel it is less troublesome and more profitable to keep them contented by making sure conditions and wages are adequate.

However, the father and son relationship, the another aspect of traditional Confucian's value could compensate this shortcoming sufficiently and maintain good organizational climate. Since the absolute position of the father to whom other family members must respect and obey have been applied to provide companies where the chairman or the president who has the absolute power is compared to the position of the father in the traditional family system.

The managers in Korean private companies also stress the importance of shaping and influencing employees' attitudes toward the job. Attitudes are considered crucial to productivity and quality control. The Korean managers demonstrate concern for the "whole" employee in several

problem of duplication, which threatened the viability of these industries. The long-range thrust of government policy was to free the private sector to allow vigorous competition between corporations.

Although some private business activities are somewhat restricted by government, the Constitution recognizes the freedom of entrepreneurial initiative but also empowers the state to regulate what it calls "monopolistic and oligopolistic practices". Private enterprises are not to be nationalized or transferred to public ownership nor shall their management be controlled or administered by the state except where authorized by law "to meet urgent necessities of national defense or national economy".

Being aware of this, recently the Korean government has made efforts to reduce its intervention and control over private business firms. As described above, its intervention has been only limited to "monopolistic and oligopolistic practices" and "to meet urgent management necessities of national defense or national economy". The government also encouraged them to solve their problems such as loan financing by themselves without relying on government. A series of these policies were also designed to promote the autonomous management of private firms along with obtaining international competitive powers and credits.

4. Emphasis on Human Relationships

In general, Korean traditional ideas were influenced by Confucianism which is deeply rooted in the thoughts of Koreans especially the aged people. Meanwhile in Korean society, there are two conflicting principles of social values. One is a vertical human relationship between superior (or senior) and subordinate (or junior) that is deeply rooted in the thoughts of Korean. This is particularly important to the aged people with origins from

cold Winter season called for the centralized control of the limited resources by the government.

One major concern as government influenced the private sector was the problem of business accountability. Some citizens suspected the nation's businessmen of corruption and the accumulation of excess profits. The country's large conglomerates also monopolized the sale of many products. Moreover, chairmen of the board tended to share the top levels of management with family members or relatives rather than with those having the professional management technique. These factors, along with increasingly conspicuous consumption by the wealthy, offended many Koreans in whom the Confucianist heritage had instilled a sense of austerity. Thus if business was to receive a freer reign in the marketplace, the government might find it necessary to reform and monitor private enterprise.

The government intervened in private enterprise by using formal orders and regulations as well as informal pressure. Price controls were usually short-term arrangements designed to prevent excess profit-taking during periods of economic adjustments. The government also maintained stockpiles of key industrial commodities and released them to stabilize prices. Beginning in 1981 the Anti-Monopoly and Fair Trade Act gave the government the power to watch over monopolistic enterprises and markets. The government planned to monitor these markets to prohibit unfair pricing policies and excess profits.

Other types of government influence on the business firms seemed to contradict the policy to restrict monopolies. In 1980 the government reorganized the machine industries, creating virtual monopolies in the production of several types of motor vehicles and power machinery, where previously there had been intense competition. However, these moves were temporary and designed to avoid the serious

applications and foreign business relationships are approved by the government.

The government interventions during the Park period have been marked by executive leadership in the hands of a very few people and given the personal attention of the President. Planning has been important, but more to survey the terrain, rather than to deal in detail with the economy. It provides a forum for discussion of priorities. Implementation, rather than planning, has been the forte of the Park government, together with speedy and flexible decision-making marked by pragmatism, incentives, commands, and punishment. It has been consistent and subject to little manipulation by business.

During the mid-1960's the public policy of government was toward the promotion of exports. Domestic credit and government guarantee for the payments in a loan agreement with foreign banks were made available to firms showing a capacity to export. Imports have been made at close to world market prices, by giving some incentives such as tax reduction, and the government has actively participated in searching out export opportunities. Export targets have been set by product and region of destination, and the government has kept close track of the performance of individual companies in accomplishing these targets.

In addition to this political influence to promote exports, another governmental influence be found to identify the basis on the shortage of natural resources. Disadvantageous conditions such as overpopulation with small land (45 million people in 38,175 square miles), large mountainous area (70% of its total territory), costly military defense (6% of Gross National Product), overwhelming dependence on oil as a source of industrial energy, without the capacity to produce a single drop of crude oil, only limited reserves of other natural resources and four months of long

industrialization and both popular demand and concerted government effort for education led to impressive growth. Since the 1970's, the new demand for management positions in private sectors was recruited by younger elite employees through open examinations.

3. Strong Influences of Government

It is a matter of common observation that governments in less developed countries play a larger role in economic processes than governments play in most Western countries today. The role of government in encouraging and regulating business in Korea is far greater than in many societies that are regarded as capitalist.

In Asian circles there has long been a feeling that the Japanese export drive was accompanied by the famous Japanese formula of "administrative guidance", which means a high degree of government cooperation, with a combined and concerted effort that came to be known as "Japanese, Inc." By extension, the Koreans have been accused of similar policies, thus the charge that there is a "Korea, Inc." as well.

Yet there are major differences between the two. Japan is a more consensual society, and private business and government have been able to cooperate in terms of virtual equality. In Korea, however, it is the government that is the leader. If there is a "Korea, Inc.", as there is alleged to be a "Japan, Inc.", it is the government that is the chairman of the board of the corporation [Ref. 5 p.xxix]. The Korean government influence and control has reached far down into individual companies. The state does not just regulate the sector. It has done so through financial mechanism such as control of credit, and equally important, through its authoritarian capacity to intervene. Indeed, "Korea, Inc." is government dominated with all commercial banks owned by the state, and thus credit and loan

common in terms of comparative view rather than absolute responses (that is, the American managers versus the Korean managers) as long as managers are the Korean people regardless of their places. The reason is that management philosophy is a "given or already formed output", a product of the culture and environment [Ref. 37 p.88].

In determining the sizes of companies and managers, the authors used a document prepared by the Korea Trade Center, San Francisco, California. The authors selected all companies operated in California as a sample since we know that the larger the company size, the better it represent the Korean management system. The number of managers to be contacted ranged from two to five for each companies, proportionally distributed according to the size of its assets.

3. Data Collection

A questionnaire associated with Likert's profile of organizational characteristics was mailed to the sample's current address along with a return, pre-addressed envelope (see Appendix A). All sample managers were also sent a letter from the authors. This explained the purpose of the survey and guaranteed anonymity. Subjects were instructed to place a mark at the point that in their experience described their organizations at the present time.

Since the instrument had already been administered to the great deal of American managers by the ISR of Michigan University, a pre-test was unnecessary. Instead, all the authors had to do was translated it into Korean carefully and have it checked by some Korean students at the Naval Postgraduate School (NPS) for understanding to guard against it not being understood concerning exact meaning. After the questionnaire was proofed successfully these questionnaires were distributed and returned. As shown in table

V, of the 350 questionnaires distributed, 119 managers (34

TABLE V
Survey Response Categories

	Number	Percent
Response	119	34
No Response	154	44
Failed*	77	22
Total	350	100

*mailed questionnaires were returned back since listed address could not be found.

percent) provided usable response. Contrary to the author's expectation, the return rate was poor, amounting to only 34 percent of the sample as a whole, it amounted to 44% of the "effective" sample (after eliminating the "could not respond (failed)" category). The authors could offer some reasons for this poor response. One might be that the managers treated the questionnaire as another routine mail document and discarded it. Also we might expect that in general the managers (especially private business managers) were reluctant to disclose their feelings or thoughts about the companies' management. In a sense they might feel that it is harmful to uncover their management system, although we assured anonymity.

Among those 119 managers who responded, 27 were top managers, 70 were middle managers and 22 were at the lower level. 105 managers held over the bachelor's degree and 14 did not. They are all male managers except 8 females and their average age was 37 years old.

4. Results and Analysis

All essential organizational variables consisted of questions which Likert classified as the management system and were measured on a 5 point Likert type scale as the ICI

TABLE VI
Indices of Organizational Variables for the
Korean Management System as a Whole

Variable	Mean	Standard error
Support	3.55	0.709
Interaction facilitation	3.27	0.813
Goal emphasis	3.42	0.748
Work facilitation	3.21	0.787
Communication flow	3.42	0.763
Decision-making practice	3.18	0.818
Human resource privacy	3.55	0.832
Lower-level influence	3.37	0.873
Motivational climate	3.30	0.857
Technological readiness	3.44	0.774
Satisfaction	3.40	0.917
Group process	3.36	0.676
Total	3.37	

Study did for the American management system. The final results of the survey with accompanying histograms which show how the Korean managers as a total group responded to each key element for the management system are shown in Figure 3.3 through 3.14 and summary data are shown in table VI through VIII. Table VI shows how the Korean managers as

TABLE VII
Indices of Organizational Variables for the Korean
Management System by Each Level of Management

Variable	Top		Middle		Low	
	mean	std error	mean	std error	mean	std error
support	3.76	0.811	3.52	0.708	3.35	0.675
Interaction facilitation	3.47	0.808	3.25	0.852	3.13	0.765
Goal emphasis	3.64	0.814	3.50	0.820	3.25	0.626
Work facilitation	3.40	0.766	3.18	0.816	3.10	0.692
Communication flow	3.44	0.745	3.55	0.805	3.25	0.711
Decision-making practice	3.35	0.806	3.22	0.715	3.02	0.731
Human resource primacy	3.75	0.676	3.46	0.833	3.07	0.889
Lower level influence	3.55	0.695	3.32	0.744	3.15	0.763
Motivational climate	3.42	0.899	3.38	0.858	3.18	0.983
Technological readiness	3.48	0.720	3.52	0.819	3.25	0.801
Group process	3.50	0.729	3.30	0.676	3.18	0.621
Satisfaction	3.56	0.756	3.30	0.774	3.03	0.778
Total	3.52		3.37		3.16	

a total management group described the management system, while Table VII and VIII show the management system in terms of the viewpoint of each level of management (i.e., top, middle, and lower level management) and age (i.e., young and old manager) respectively. Additionally, to see the

TABLE VIII
Indices of Organizational Variable for
the Korean Management System by Age

Variable	old manager (above 40 yrs old)		young manager (below 40 yrs old)	
	mean	std error	mean	std error
Support	3.60	0.752	3.51	0.717
Interaction facilitation	3.38	0.810	3.20	0.833
Goal emphasis	3.53	0.779	3.37	0.786
Work facilitation	3.34	0.779	3.12	0.783
Communication flow	3.44	0.784	3.41	0.782
Decision-making practice	3.31	0.816	3.06	0.843
Human resource primacy	3.56	0.831	3.54	0.733
Lower-level influence	3.39	0.755	3.34	0.744
Motivational climate	3.33	0.954	3.28	0.931
Technological readiness	3.51	0.735	3.42	0.822
Group process	3.37	0.689	3.28	0.683
Satisfaction	3.43	0.755	3.37	0.811
Total	3.42		3.25	

interrelationship between organizational variables in the Korean management system, intercorrelation was computed and is shown in Table IX. The raw data was processed using GRAFSTAT3, a graphical statistics package within Tektronix 618 for mean scores and standard error, and SPSS for correlation between organizational variables in IBM 3033 AP, System 370 computer at the Naval Postgraduate School.

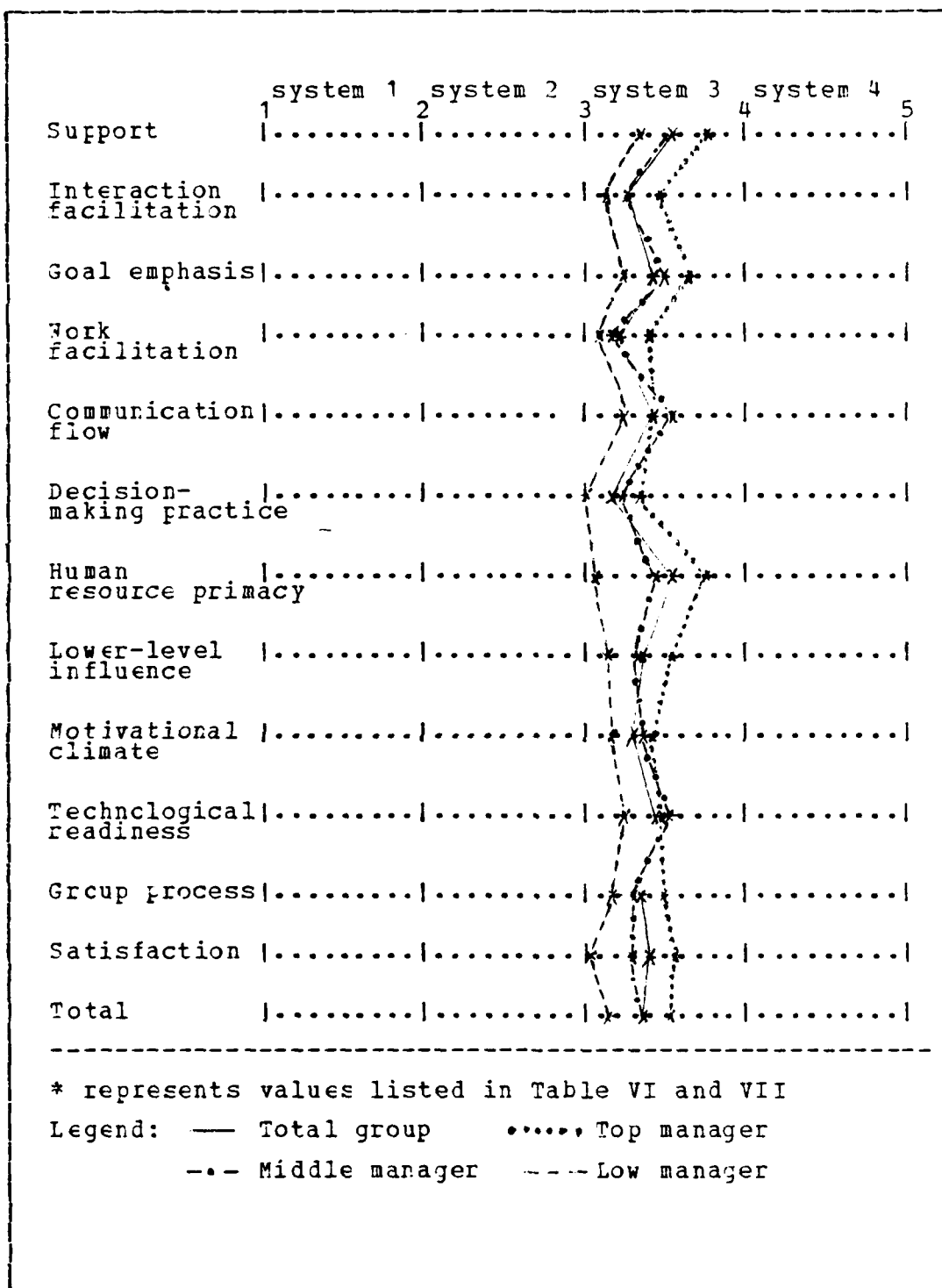


Figure 3.1 Profile of Indexed Variables by Each Level of Management.

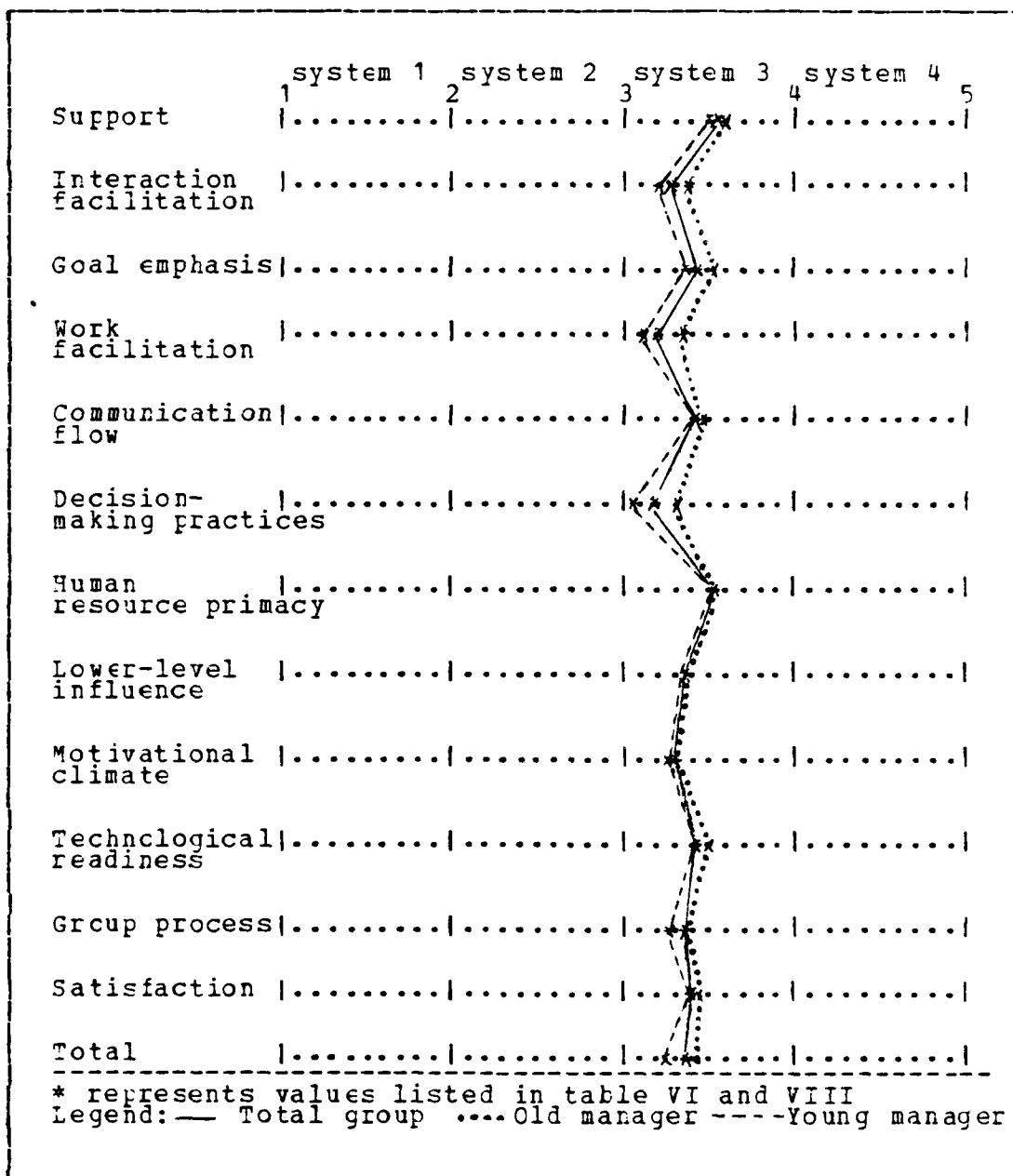


Figure 3.2 Profile of Indexed Variables by Age.

Based on Tables VI through VIII, Figure 3.1 depicts the profile mean score of the each organizational variable for the top versus middle versus low level management

referring to total management group, while Figure 3.2 for the young versus the old management in the total management group. From Table VI through IX and Figure 3.1 and 3.14, survey findings will be discussed (In a later chapter the Korean norms will be presented along with the U.S. norms at the same table and same figure for comparison purposes).

a. Support

Both the Support index mean and the Human Resources Primacy index mean for the total management group

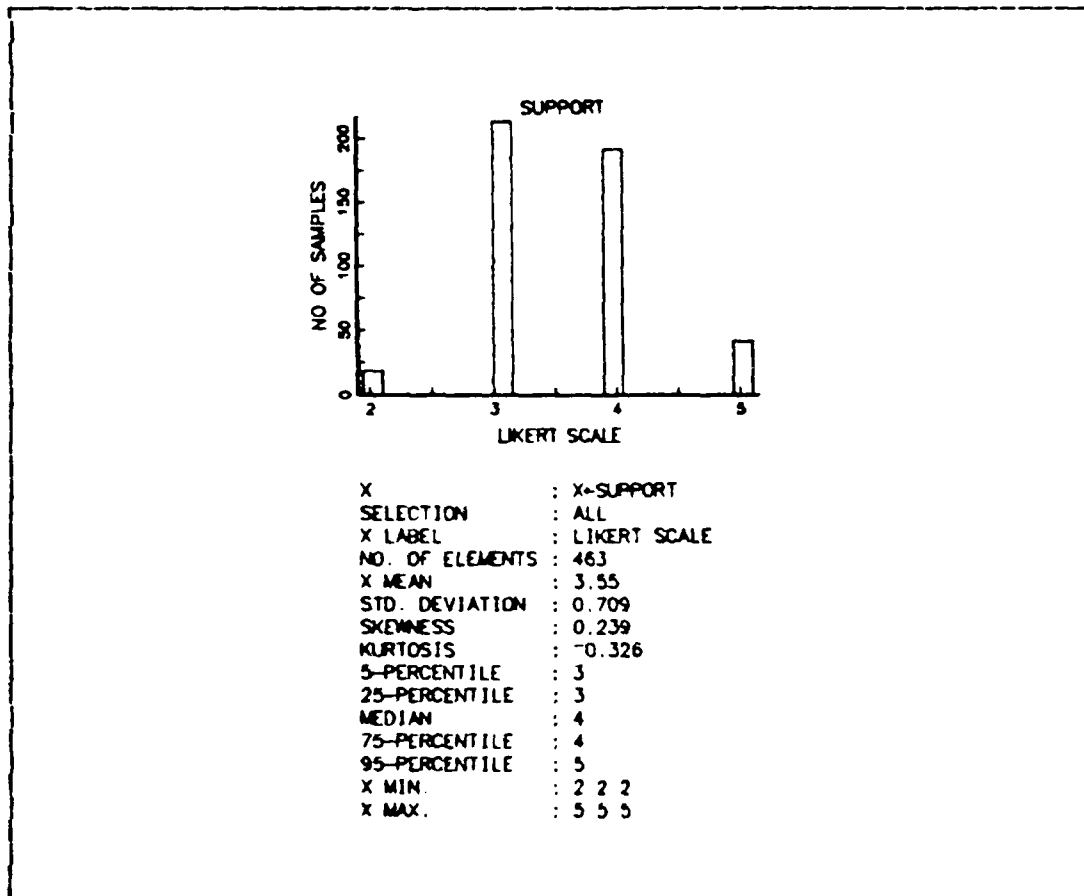


Figure 3.3 The Support Index Mean for the Total Management Group.

are the highest and placed at the mid-point of System 3.

This is consistent with the general view of interpersonal relations oriented by emphasizing human relationships. In other words, managers in Korea felt supervisors are fairly friendly and easy to approach similarly, it is easy to approach one another in work group. They also felt that their supervisor and work group are likely to pay attention to their problems. Thus the Korean management system as a whole was operating near the Consultative mode, System 3.

The study also showed that top and lower level management placed the highest value on the support variable among 12 organizational variables, while it was the second highest value for middle management. Also this was the highest for the old managers, while the second highest for the young managers.

Although its relative importance between variables is different among each level of management and age, its absolute value is always greater as the level of management or age goes up. (i.e., 3.76 for top management versus 3.52 for middle management versus 3.35 for lower level management and 3.6 for old management versus 3.51 for young management). This is natural since the highest level of management and the older management are generally more important than those who are less higher level and less aged manager to their superiors. At any rate they all described their management system was operating at the Consultative mode.

b. Interaction Facilitation

The interaction facilitation index for the total Korean management group marked at the lower side of the System 3. This means that the Korean management system is operated with a little sense of team work. In part, the

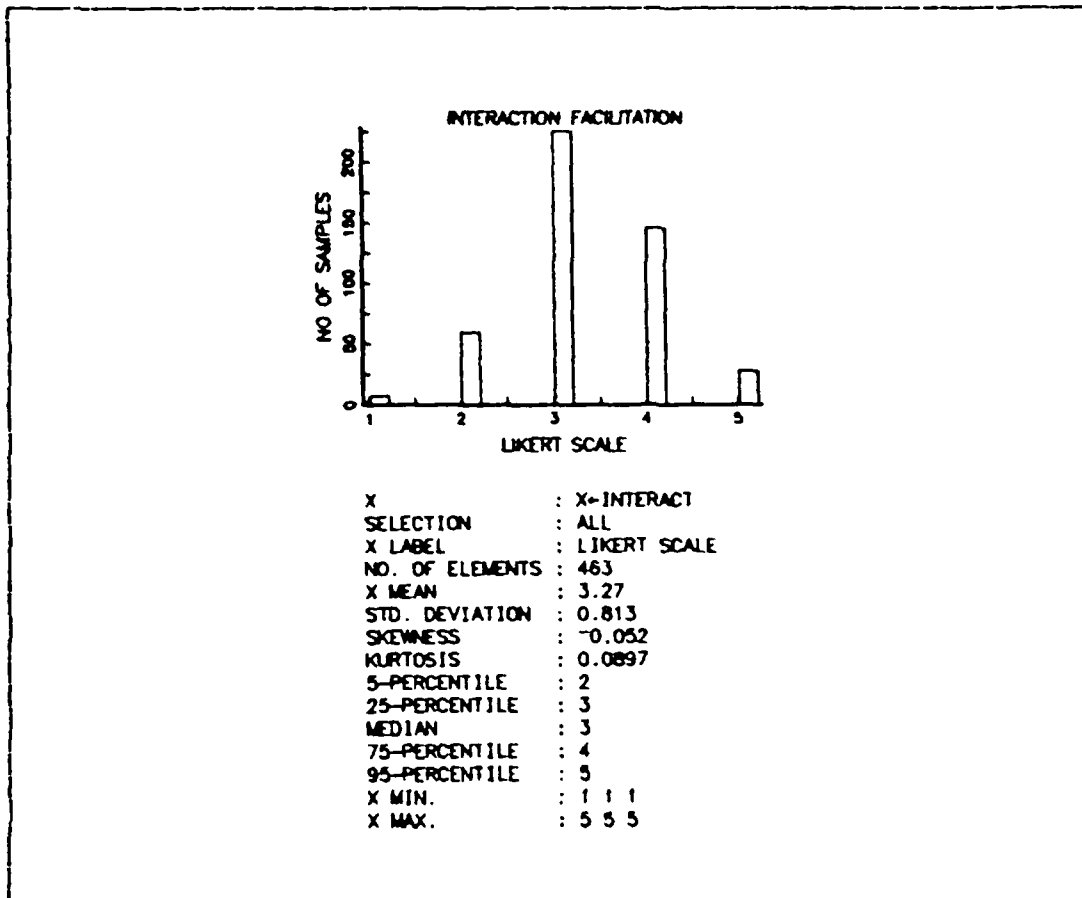


Figure 3.4 The Interaction Facilitation Index Mean for the Total Management Group.

excessive competition among employees due to high aspiration for the fast promotion provides the basis for that reason.

Again, the higher level of management placed more value on this variable than did the lower level of management as well as the old management placed more value than the younger management did. Regardless of each level of management and age, the Korean management system was operating in System 3 in terms of this variable.

c. Work Facilitation

As we might expect from the Interaction facilitation variable, Work facilitation in the Korean management system as a whole is the second unfavorable aspect placing at the beginning point of the System 3. In fact, since those two variables are highly affected by the personal attitude based on human relation, it is natural that Work facilitation condition is worse as the Interaction facilitation goes

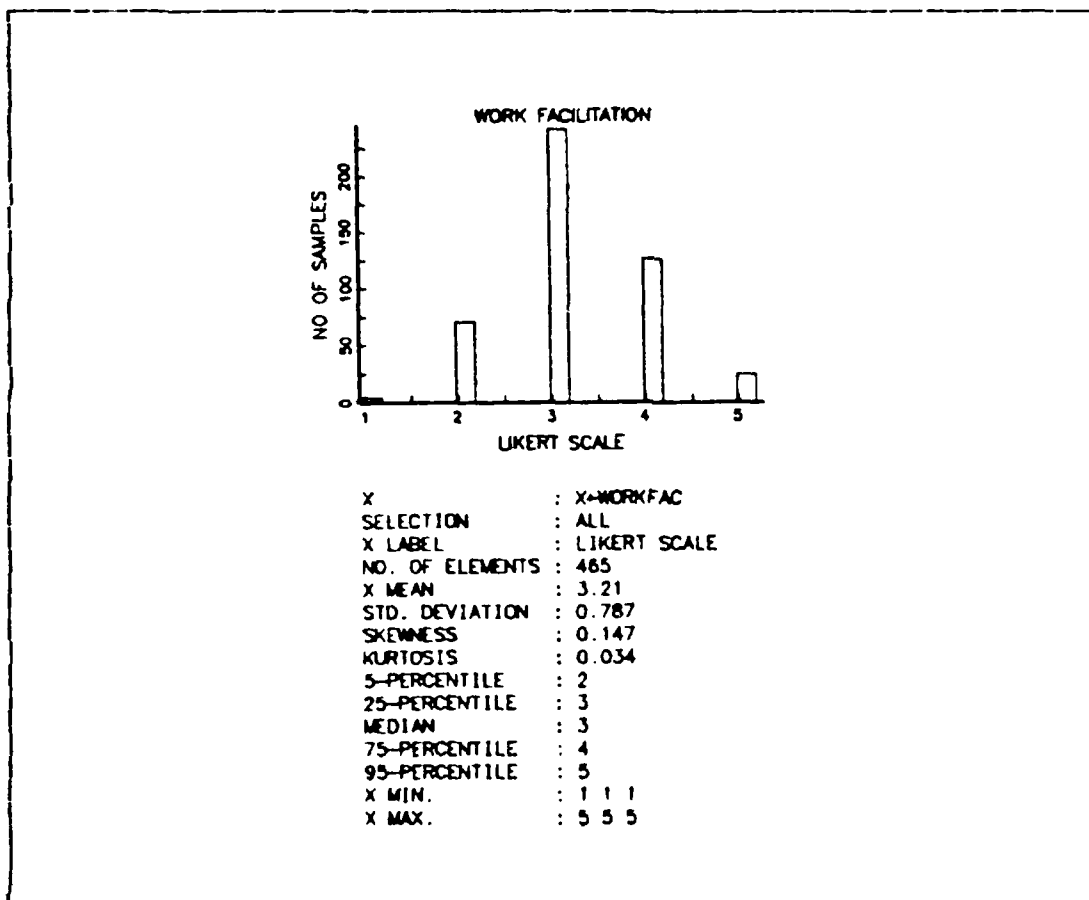


Figure 3.5 The Work Facilitation Index Mean for the Total Management Group.

to lower state.

Also as we expected, the higher the each level of management or the older the management, the more Consultative mode its management system is.

d. Goal emphasis

The study showed that the Korean management system as a whole is in System 3, consultative mode in terms of goal emphasis. This implies that in general Korean manager establishes high standards of performance and urges to his subordinates to give their own best. Similarly persons in the same group maintain high standards of performance and encourage each other to give their best efforts.

On the other hand, the difference of index mean between the top and middle management is little (i.e., 3.64 vs 3.50), while there was substantial amount of gap between the lower level management and the other higher management levels (3.25 vs 3.64 and 3.25 vs 3.50). This implies that the upper two level of managements are more goal oriented than lower level of management knowing of their important managerial position in the company. Based on this variable's mean, all managers in Korean business firms viewed their management system as System 3 regardless of the level of management and age.

e. Communication Flow

In the Korean management system communication flows showed it was both upward and downward. From the findings, communication flow index mean placed at the mid-point of the System 3. Thus, ideas and suggestions necessary for subordinates' jobs are provided by the superiors in the best possible way.

Unusually, in this case, the middle management placed higher value than did the top management as well as

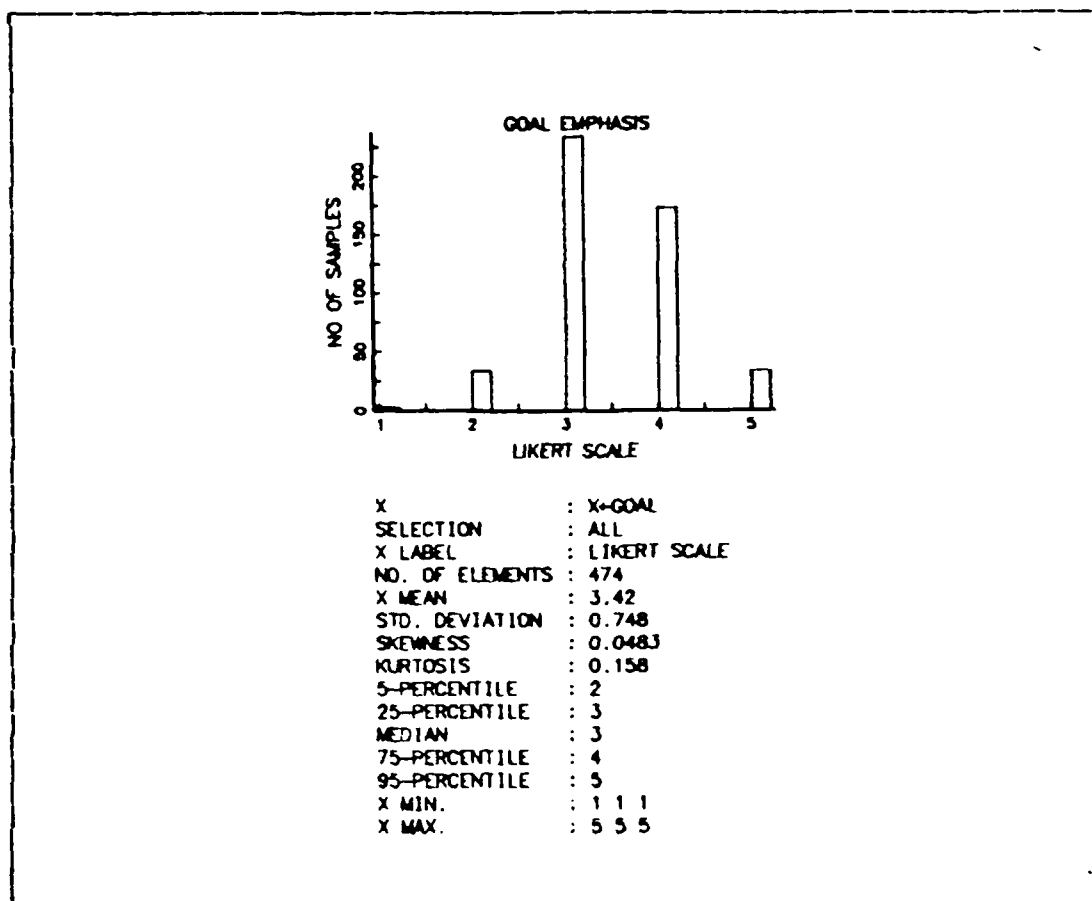


Figure 3.6 The Goal Emphasis Index Mean for the Total Management Group.

in case of technological readiness. The possible explaining way is that generally the middle managers regarded that their ideas and suggestions are accepted by the top management though final decisions are not made on the spot, while the top managements felt that their suggestions are less receptive because the final decision is generally made in the presence of them and sometimes it is rejected.

On the other hand, Communication Flow mean is almost same for both the old and the young management (i.e., 3.44 versus 3.41) and was operating in system 3.

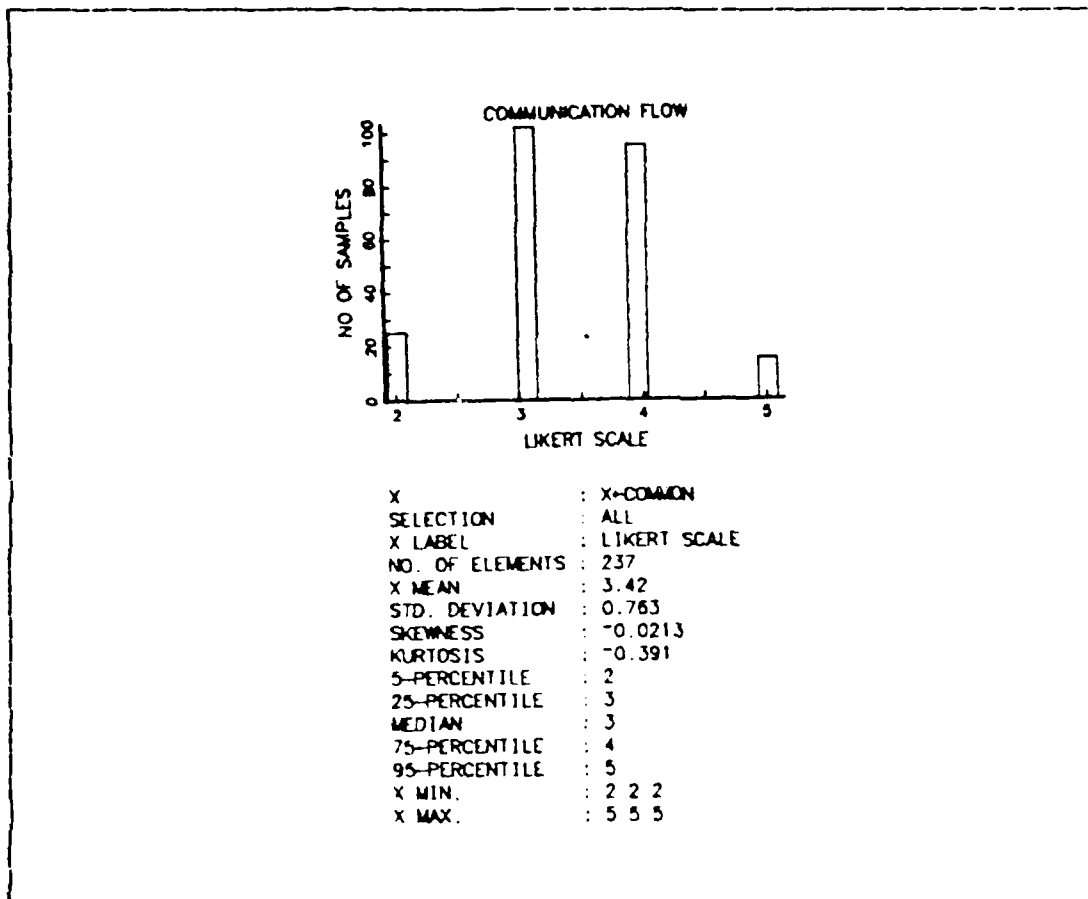


Figure 3.7 The Communication Flow Index Mean for the Total Management Group.

f. Decision-making Practice

Decision-making is the fundamental and the most important managerial function among the manager's role. The Korean management system as a whole reported that decisions are made not only at the top, but also at the appropriate levels where the adequate and accurate information is available. Also the study showed that subordinates are encouraged to present their ideas for a better decision. Thus, the Decision-making Practices index mean fall into the region of the System 3, Consultative mode, however, this is

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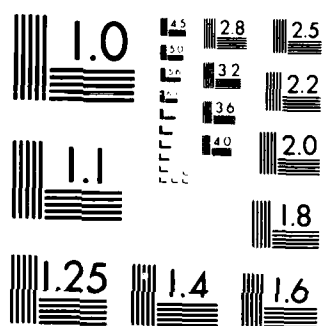
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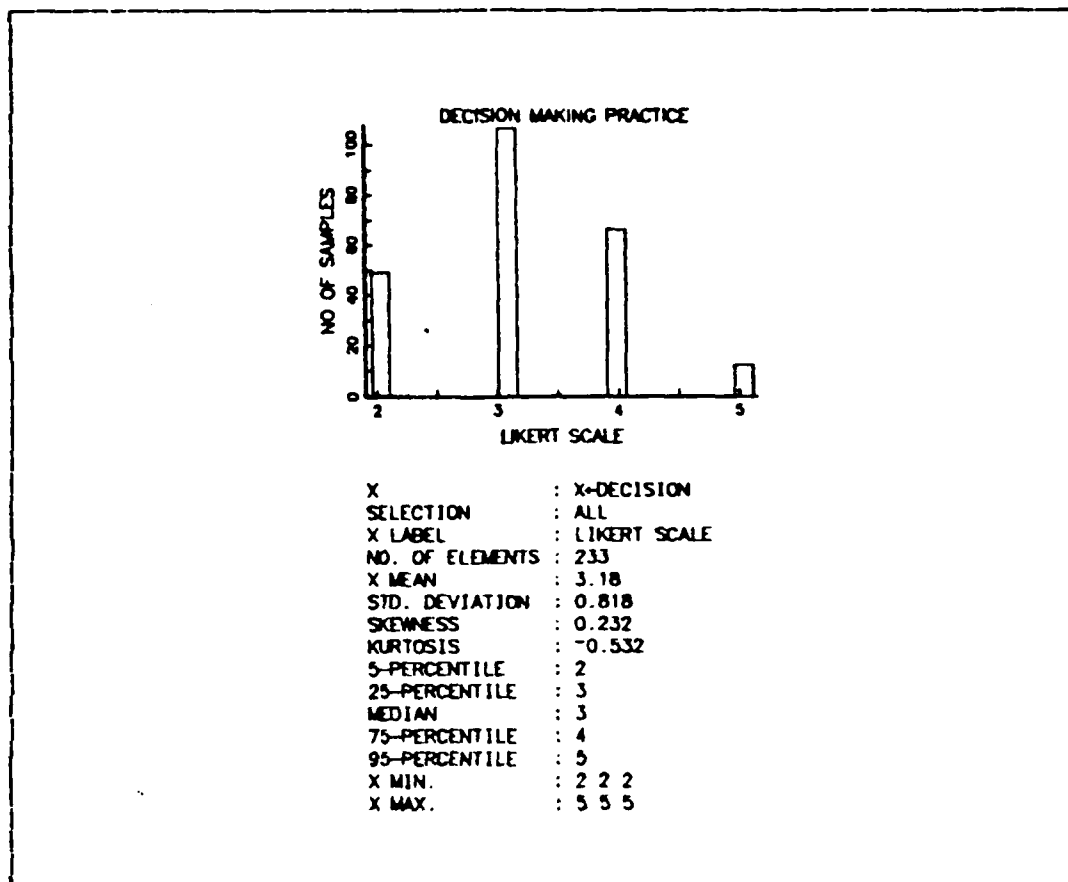


Figure 3.8 The Decision-making Practice Index Mean for the Total Management Group.

the lowest facet among the organizational variables in the Korean management system. This suggests that substantial amount of attention to the decision-making process should be needed to all Korean managers.

As can be seen here, the higher the each level of management or the older the management, they placed more value on this variable than did the lower level of management or the younger management since decisions are likely to be made at the higher level of management and the older management.

g. Human Resources Primacy

Based on the study, Korean business firms paid attention to the welfare and happiness of employees along with trying to improve their working conditions and thus its index mean as a whole placed at the mid-point of the System 3, which is the highest point in the organizational variables as well as support variable. This high degree of human concern was principally caused by knowing that productivity

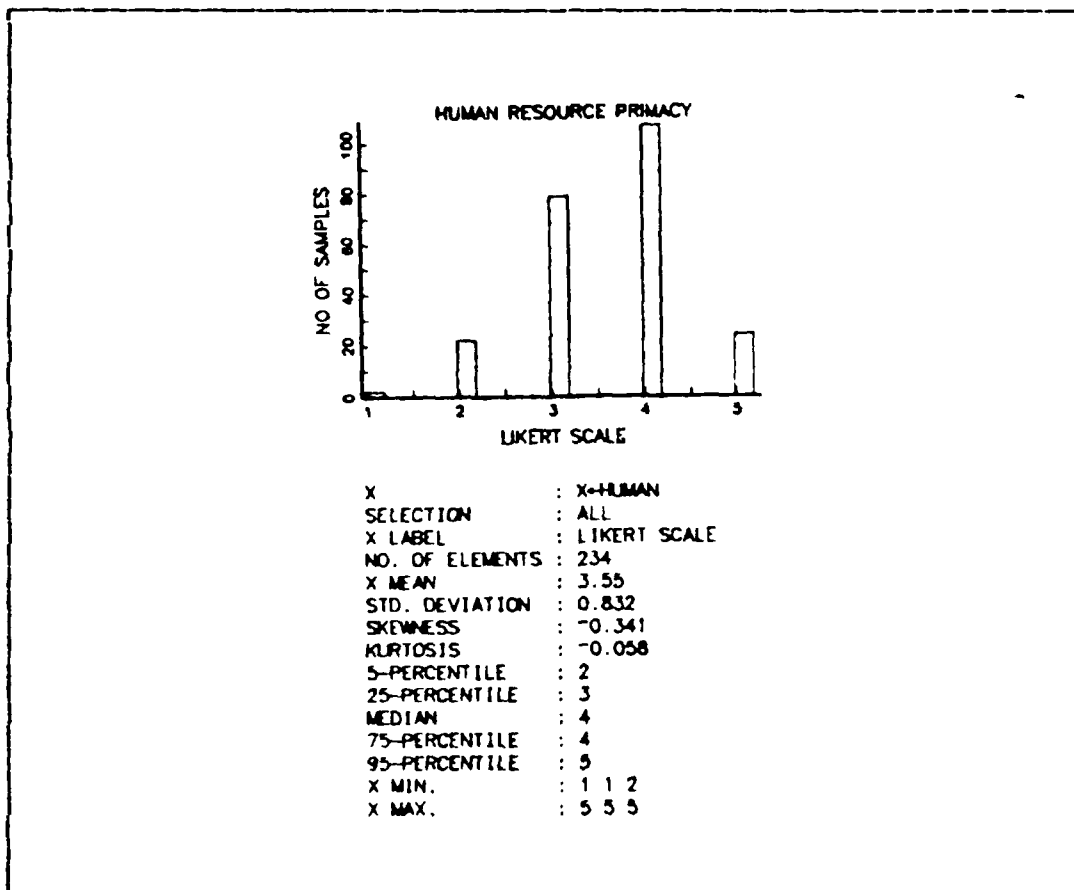


Figure 3.9 The Human Resource Primacy Index Mean for the Total Management Group.

is mostly influenced by human factor.

From the findings, the difference of the mean between each level of management is the highest among twelve variables and thus in terms of top manager's view-point, Korean management system was considerably close to Participative mode(i.e., 3.75), while it was operating at the very beginning point of the Consultative mode(i.e., 3.07) with lower level manager's view point.

One possible explanation for the widest gap between lower level managers and middle or top managers may be that by and large the higher managers rate the organization higher than do the lower level managers because of their utopian tendency. Thus, we expect that the mean score for this variable may be biased for that reason. Hence the higher managers in Korea should pay attention to lower managers' viewpoint keeping in mind that the organizational productivity depends primarily on the human components which constitute the organization along with careful reassessment for their own rate.

On the other hand, the old and the young management viewed their management system as almost the same(i.e., 3.56 vs 3.54) and thus it was operating at the mid-point of the System 3.

h. Lower-level Influence

Generally speaking, the lowest-level supervisors (foreman, office supervisor etc.,) and ordinary employees in the Korean business organization have influence on what goes on in their department.

The Lower-level Influence index mean for the total management group is placed at the one third point of the region of the System 3.

Like most variables, the higher the management level or age, its mean is moved more toward the right side, that is, Participative mode. However, the movement is

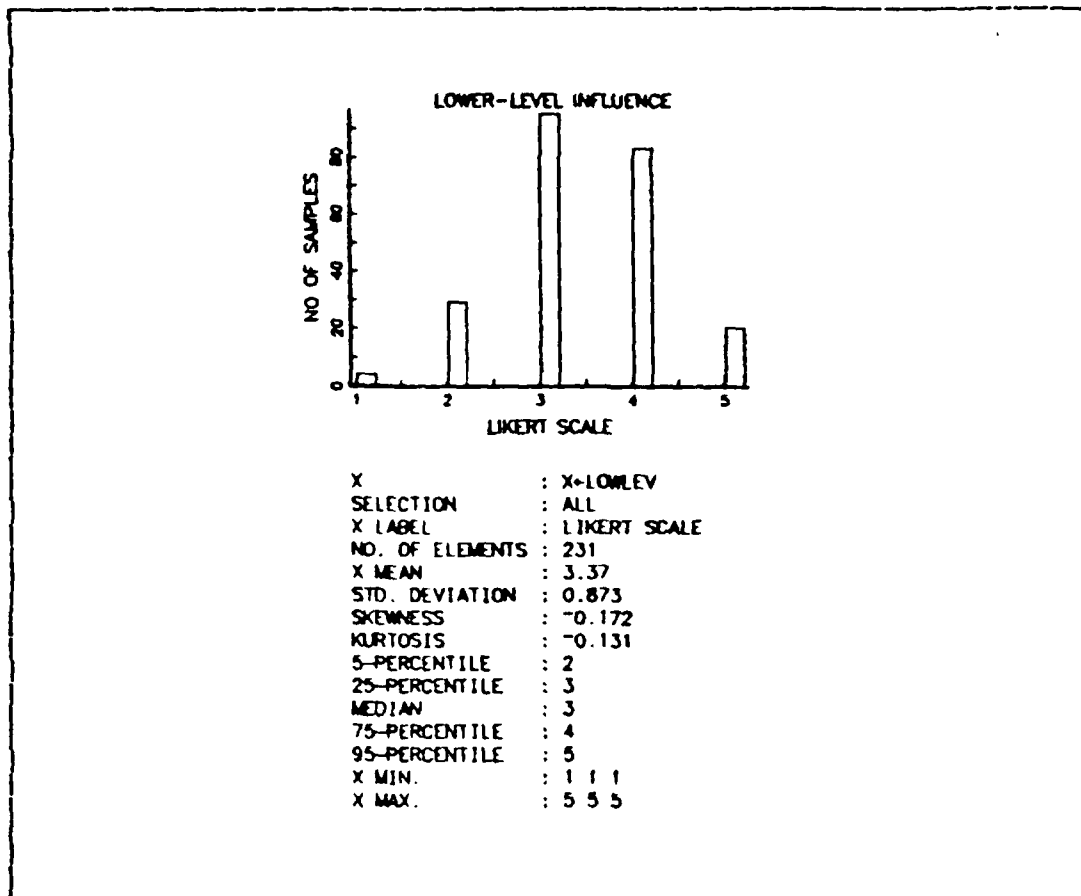


Figure 3.10 The Lower-level Influence Index Mean for the Total Management Group.

restricted within Consultative mode representing their management system as operating in System 3.

i. Motivational Climate

Motivational Climate in the organization is an important key element along with the human resources primacy variable since productivity depends upon the organizational member's motivation. As a matter of fact, most managers know this. However, it seems to be difficult to practice this in reality. The reason is that human-beings are very

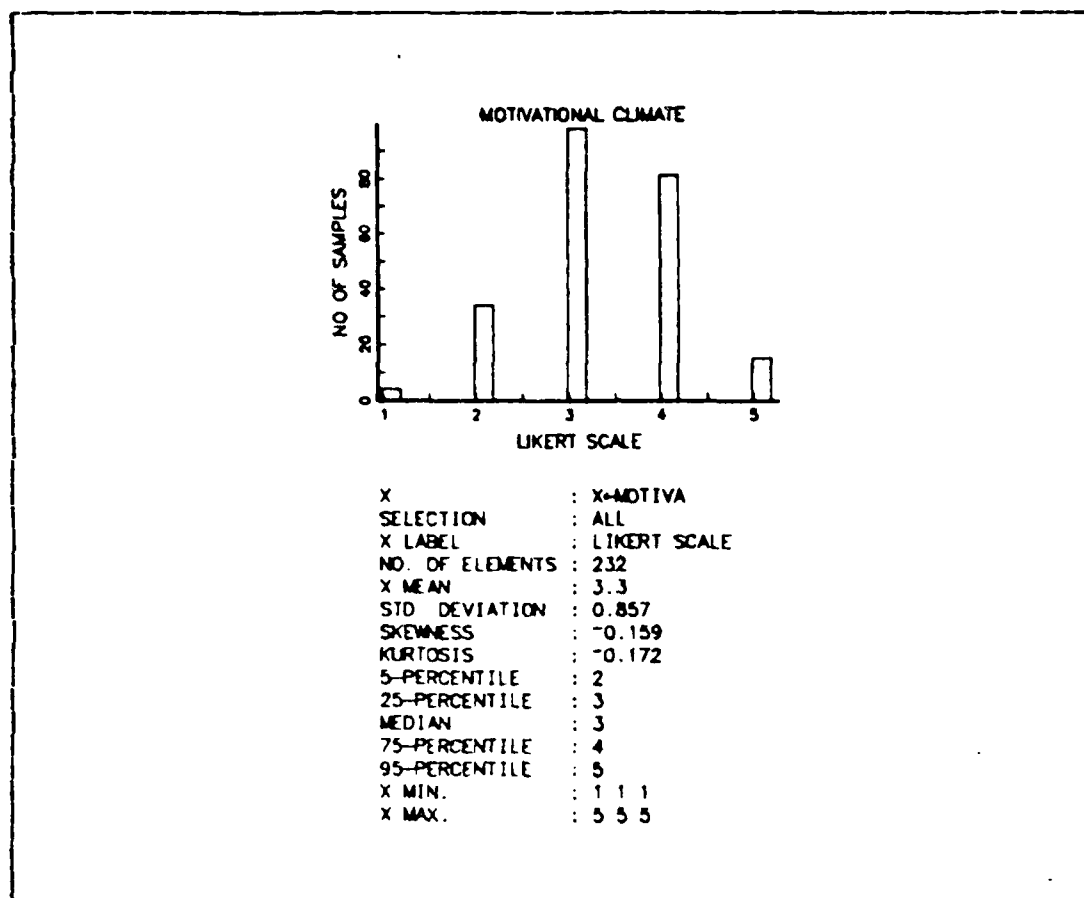


Figure 3.11 The Motivational Climate Index Mean for the Total Management Group.

sensitive creatures in building one's emotional change. Based on these findings, disagreements between persons or units in the Korean management system are sometimes accepted and sometimes are avoided or suppressed. Studies indicated that in general, employees in the Korean business organization are motivated by money and promotion. This index mean for the total management group is placed at the third point of the Consultative mode (System 3).

On the other hand, the top and middle management viewed their management system as almost the same (i.e., 3.42

versus 3.38) and thus operated in System 3, however, there was a substantial amount of gap between the lower level of management and the upper two levels of management. The reason is that generally the upper two levels of management viewed their management system more affirmatively since managers who are in important managerial positions have more positive thinking, while less important managers do not.

Also we expected, regardless of age the Korean management system that it is almost same (i.e., 3.33 for the old managers versus 3.28 for young managers) and thus in System 3. This implies that managers are not motivated no matter how old they are unless some incentives (e.g. high managerial position) are given to them.

j. Technological Readiness

Competition with high quality and low cost in the today's world markets can be attained by utilizing improved work methods and efficient and well-maintained equipment and resources. In this context, the Korean business firms appeared as a high competitor in the world markets since Technological Readiness, a key source of competition, index mean as a total group placed at the midpoint of the System 3.

From each level of management's viewpoint, middle managers placed a little bit more value than did the top management and the lower level management placed, of course, the lowest value among three management levels.

On the other hand, when we viewed the management system in terms of age, we found that the old manager's mean is higher than that of the young managers' representing the Korean management system was operating in more consultative mode. However, this difference reflects only difference in styles within System 3, and not difference between systems of managing.

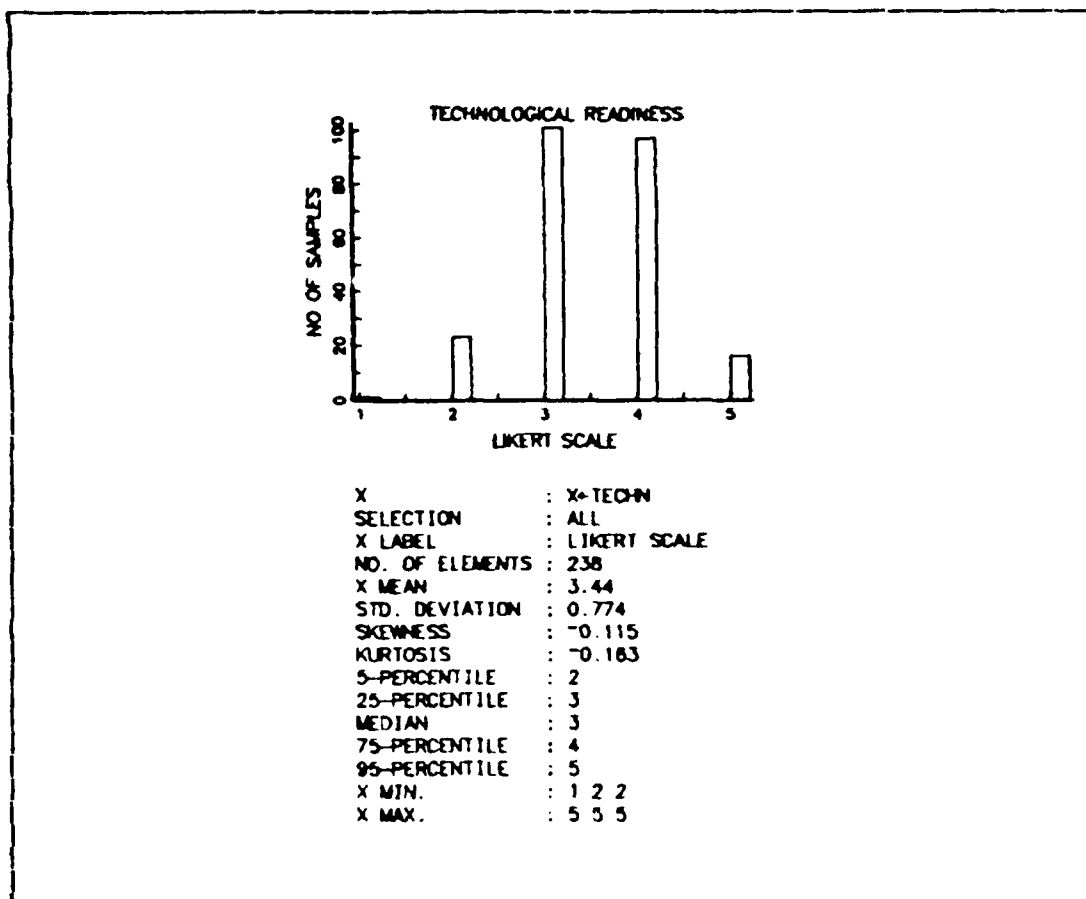


Figure 3.12 The Technological Readiness Index Mean for the Total Management Group.

k. Satisfaction

Satisfaction measures whether employees are satisfied with their superiors, jobs and future progress within the organization. This was considerably higher as a perceptable organization variable among the twelve key organizational elements. So we might expect that those managers who participated in our survey work probably had a favorable tendency for such related questions compared with those managers who did not. At any rate, based on findings, people in the Korean business firms are generally satisfied

with their superiors, jobs and future prospects. The Satisfaction Index Mean for a total management group placed

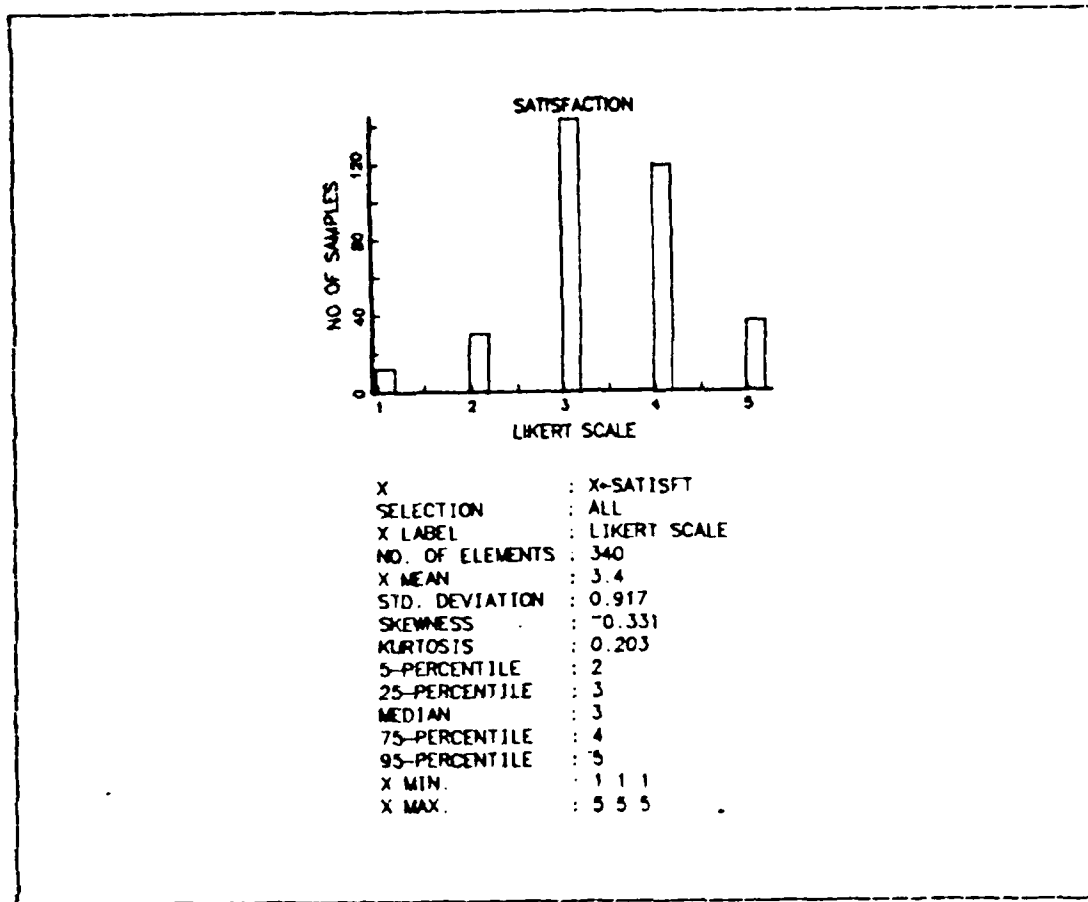


Figure 3.13 The Satisfaction Index Mean for the Total Management Group.

at the mid-point of the System 3.

If we viewed management systems in terms of each level of management, we found that the results were the same as we expected, which is that lower level management felt less satisfied and unhappy with their superiors, jobs and future prospects and thus placed the lowest mean value among twelve organizational variables. Of course, the higher the

management level, its degree of unhappiness decreases. And as we also expected, the old managers felt more satisfied than did the young managers.

1. Group Process

Group Process is related to the group functions. The Korean management system as a whole showed that it was in the System 3, Consultative mode based on these findings. Generally in the Korean business firms people plan together and coordinate their efforts. Also they are likely to share some information about important events along with a certain amount of confidence and trust in the person in their work group.

Based on the viewpoint of each level of management, the higher the management level or age goes up, its management system approaches its desirable status, Participative mode. Regardless of management level or age, they viewed the Korean management system as operating at the Consultative mode (System 3).

m. Correlation between Each Variable

The Pearson product-moment correlations between twelve organizational variables are presented in table IX. As we can see here, correlations are as expected, all positive among these variables. This means that when one organizational variable changes, the other variable also change positively.

Squaring these coefficients provides a rough indication of the extent to which the variability in any index overlaps variability in another index. The degree of overlap between pairs of indices ranges from a low of 2.3% shared variance for Technological Readiness and Support, to a high of 39% for Interaction facilitation and Work facilitation. On the average, for any pair of indices,

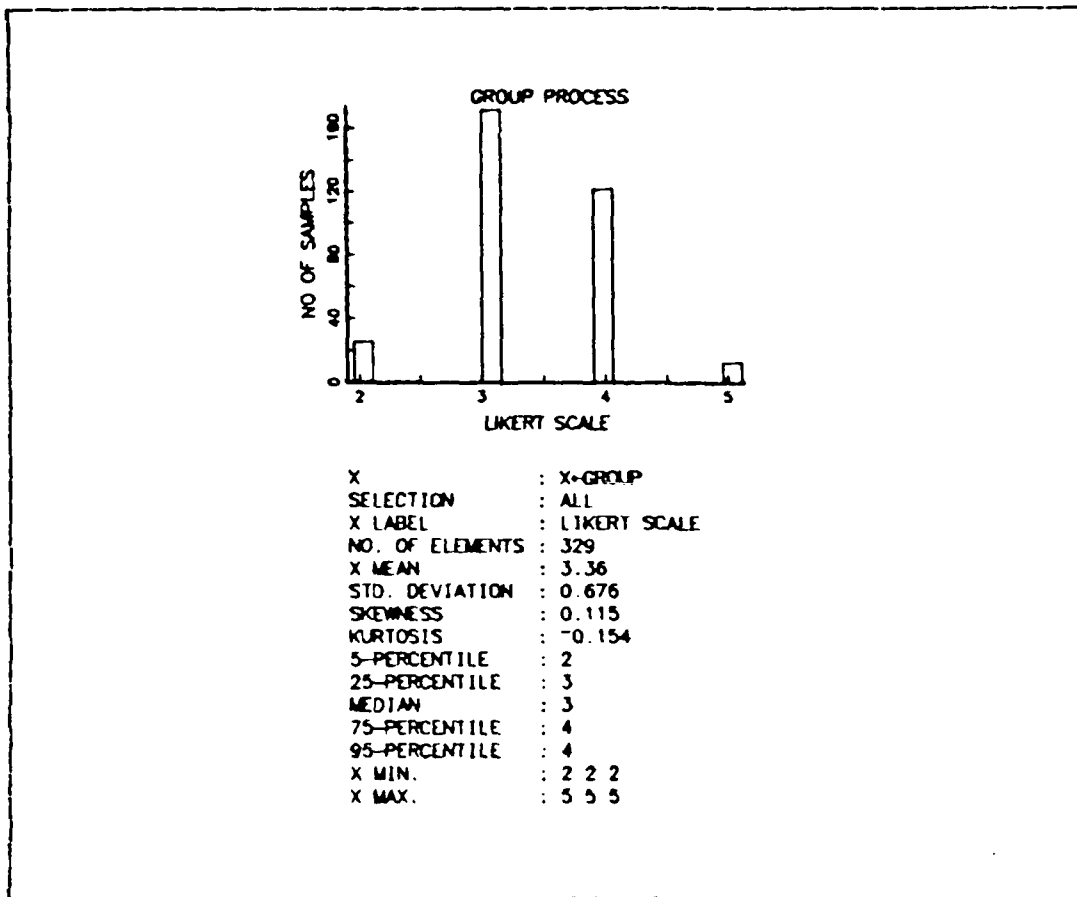


Figure 3.14 The Group Process Index Mean for the Total Management Group.

about 18% of the variability in one index is explained by variability in the other index, while 82% of the variability in each index is independent of the other.

Among all of these coefficients, we can single out that Interaction Facilitation has a relatively higher association with Work Facilitation and Satisfaction and Motivation has a relatively lower association with Support and Group Process. Although the correlation between Motivation and Support is positive, its association is the lowest in the each correlation.

TABLE IX
Correlation between Organizational Variables
of Korean Management System

Var	S	I	W	G	C	D	H	LI	M	T	SA	GP
S	1.0											
I	.43	1.0										
W	.38	.62	1.0									
G	.52	.48	.56	1.0								
C	.53	.46	.44	.45	1.0							
D	.53	.38	.47	.38	.56	1.0						
H	.28	.48	.47	.30	.36	.36	1.0					
LI	.43	.52	.41	.33	.46	.51	.40	1.0				
M	.17	.37	.42	.36	.28	.32	.47	.36	1.0			
T	.25	.48	.48	.32	.37	.29	.47	.39	.36	1.0		
SA	.51	.56	.45	.45	.54	.44	.44	.53	.41	.41	1.0	
GP	.51	.52	.45	.48	.46	.45	.38	.48	.27	.38	.42	1.0

Organizational variables are labeled as follows;

S : Support
I : Interaction Facilitation
W : Work Facilitation
G : Goal Emphasis
C : Communication Flow
D : Decision-making Practice
H : Human Resource Primacy
LI : Lower-level Influence
M : Motivational Climate
T : Technological Readiness
SA : Satisfaction
GP : Group Process

The high correlations between Interaction Facilitation and Work Facilitation in Table IX are consistent with our previous interpretation. Namely, since those two variables are highly affected by the personal attitude based on human relations if one variable moves to either Participative mode(System 4) or Exploitive-Authoritative mode (System 1) according to the human relation factor the other variable is also supposed to comply with that pattern. On the other hand, one possible explanation for the low correlation between Motivation and Support may be that the Support variable is primarily concerned with direct vertical or lateral relationship between superior and subordinate,

while Motivation is measured beyond the direct relationship with a company-wide view.

In this section, we found several characteristics of the Korean management system by using a Likert's model. Based on findings from our survey, System 3 management was indicated in the Korean business firms. Although the less higher level of management and the less elder management scored lower than the higher level of management and the elder management, it must be noted that all sets of managers were operating in the System 3 mode. Hence, differences do not mean differences between systems of managing but differences in styles within System 3. As we noted from the previous chapter, System 3, Consultative management is the desirable one, but it is not the ideal state. Therefore, managers in Korean management system should probably review again more closely their organizational variables.

E. CONCLUSIONS

In summary, before the 1940's there were only a few Korean entrepreneurs -- due to the traditional ideas and seclusionism policy of government. After the Japanese colonial rule business activities in a modern sense began. During the last three decades Korean business firms appeared as a formidable competitor in the world business on behalf of the strong support of government and considerable entrepreneurial talent. The management systems of the Korean private business firms where the entrepreneurial talent was practiced are characterized as follows:

- 1) Family oriented management along with highly centralized power to the chairman, a founder.
- 2) Strong influences of government by using formal orders and regulations as well as informal pressure.
- 3) Emphasis on human relationships based on the traditional Confucian's value system.

3. Evaluation and Promotion System

Power is the most important incentive for many organizational role players. They struggle for promotion to ever more exalted status, not to enjoy its richer trappings but to exercise its greater power. This drive for advancement serves the organization's purpose, too, for its survival depends on the talent at each level of management, and the important positions (especially higher level positions) are the most difficult to fill.

In the American business, organization means greater authority and responsibility that will enable the management to be more productive in an economic sense for the benefit of the company. In evaluating the employees for promotion within business establishment, there is a strong tendency to emphasize their track record of performance that demonstrates the degree of excellence in achievement rather than their background and education. For the education purpose there are several types of appraisals for managers performance, such as time and motion studies, job description, and annual performance reviews. With these appraisal tools, management behavior is evaluated as objectively as possible, namely in an affectively neutral manner, with respect to various aspects of job performance. Because the possibility of advancement serves as a major incentive for superior managerial performance, promotions should be regarded as fair _ that is, based on merit and untainted by favoritism [Ref. 15 p.521].

In recent years, many students of Graduate Schools of Business entered American industry. They tend to expect that everyone would be promoted, by virtue of their superior ability and training, to higher level and easily rise to the executive of the company [Ref. 11 p.59]. However, they are never promoted unless their job performance in the past

Generally, for large-scale corporations, the owner, family or partners may have to sell stock to the general public to raise sufficient capital. These publicly held corporations are characterized by the separation of ownership and management. Most of the business firms in America follow this case. On behalf of separation between ownership and management, corporate management in America is able to adopt the long view and assume social responsibilities for the welfare of all who depend on the corporation in the absence of pressure from the owners. This includes not only the stockholders, but also the employees of the company, the consumers of its products, and the general public. Furthermore, when professional managers are in firm control, they are able to manage in a professional way, to the benefit of all concerned.

In contrast, although the owners in Korean business firms sell the stock to the general public, they still have a large portion of stocks and exercise control for management. So in Korean business firms little is distinguished between ownership and management. This means that owners or their family members also participated in corporate management as a manager. Without questions, they are likely to manage the corporate in a more inefficient manner than the professional managers do. Thus, this is one of the reasons that the Korean management system has a low operative value on organizational efficiency, profit maximizing. Therefore, the Korean Businessmen's Association pointed out that some of the most urgently needed organizational improvements in the Korean management system are the separation of ownership and management; the development of professional management and managers; the elimination of familistic, paternalistic personal management practices [Ref. 41 p.432].

In this viewpoint, the Korean management system may have to review their family-oriented management though it has several positive aspects.

in advanced study seminars at various universities. In short, in the American management system, professional management is overwhelmingly dominated in business operation by those professional managers make it possible to be a "Number 1" nation in terms of economy, science and technology.

On the other hand, the Korean business management tends to be not professional management but family-oriented management. When we observe the board of directors in some "Chaebol" groups, we find that they were not composed of hired professional managements having business or science background but the persons who participated in management with a family or relative background. Their educational background is mainly majoring in social science and liberal arts. Of course, nowadays most managers in Korean business firms are young and most of them are highly educated managers fulfilled with modern knowledge, however, it is still possible to have some chief executive officers or top managers with low educational background in the Korean business community. Some founders in the "Chaebol" groups do not have any fundamental educational background which is necessary for professional business managers.

As mentioned above, management by professional managers with scientific knowledge is essential to cope with changing environments. Being aware of this, some leading "Chaebol" groups were managed by their founders' second generations who had mostly majored in business. However, there are still substantial numbers of participants who are involved in top managerial positions on behalf of family member regardless of their educational background. In this case it is a general rule that such a top management was usually advised to deal with management problems by the other executives who have worked with founders in the company for a long period of time.

American business organization is closer to a science rather than an art. Most American management recognize that professional managers who are well-educated and trained with scientific management theory can manage everything. Indeed, to adapt today's versatile external environments in which the business is operated there is more need for scientific analysis for the management problems than for hunch or inherent talent. The increasing trend for the professional instead of the haphazard way is well described in a quote from Ronald E. Herington and David C. Dionne:

The role of the business manager in the American society increases in importance with every passing year. No longer allowed is the luxury of running a business by generalizations, guess-work or "intuition"; he is increasingly expected to assume the functions of a highly informed, highly experienced, highly paid professional. More than ever before, top business managers in America are being called upon to make decisions involving vast quantities of men, money and national resources [Ref. 40 p.1].

In most American business organizations, highly educated managers are welcomed and especially the person with an undergraduate degree in engineering and a master's degree in business administration. Of course, managers without college degree can stay at the summit in the United States corporations, but it is very rare. According to survey by F.A. Bond and A.W. Swingyard, 86 percent had graduated among more than 90 percent of the executives surveyed and 60 percent of the graduates had majored in business and engineering [Ref. 12 p.553]. As a matter of fact, blind business management without scientific knowledge is compared to an old Korean saying "Sa sang roo gak", which means the castle built on the sand. Thus, to adapt the unpredictable technical changes, education for scientific management in the United States business community is continuously needed and executives in their 40s and 50s frequently participate

Generally speaking, government interventions into the firms are inevitable in the Korean situation as we keep in mind three basic realities; the country is poor in natural resources, highly populated, and faced with a potential military confrontation with North Korea. As a result the government has had to devise economic strategies that would secure imports of raw materials in addition to necessary consumer goods. The burgeoning population also made unemployment a central concern. Finally, the unresolved conflict with the North Korea as well as the destruction caused by the Korean War had left the nation with a heavy economic burden. Ironically since 1962 the need for a strong national defense has made economic development so urgent in the minds of the nation's leaders that they have propelled the small, resource-poor country to these factors which eventually resulted in government interventions such as approval of major loans and projects, tax breaks, financial bailout, the regulation of markets and corporate behavior, and even the establishment of state-run enterprises. However, recently the Korea government has made efforts to reduce its intervention and control over private business firms to promote the autonomous management of private firms along with obtaining international competitive powers and credits.

2. Professional Management versus Family-oriented Management

The science of management has reached its highest state of development in the United States and it is for this knowledge, this know-how based on scientific approach, that American management is most highly appraised abroad. The superiority of the American's more objective, systematic, orderly and controlled approach to management problems is seen and accepted. In this context, management in the

and unsafe products set guidelines for the managers and standards established by the government agency are encouraged [Ref. 15 p.73]. Certain industries such as transportation, communication, electricity, telephone are regulated in the interests of public convenience and necessity, while research and development programs of the defense industries for nuclear and missile weapon systems are guided by the government taking into account political issues. All industries are regulated as deemed necessary for protection of the environment, for protection of customers from harmful products, and for protection of the safety of workers. Activities of the Environmental Protection Agency (EPA) for water pollution, air pollution, solid waste, radiation, and noise, activities of the Food and Drug Administration (FDA) for food and drug and activities of the Occupational Safety and Health Administration for safety and health of the workers are examples. At any rate, the U.S. government influences the business firms not for the sake of business management but for the sake of the general public.

In contrast, the relationships between government and business are fairly strong in Korea. In fact the Korean companies' export drive was accompanied by a high degree of government cooperation. and thus there is allegedly charged "Korea, Inc." as well as "Japan, Inc.". The strong intervention of the Korean government into the private business firms is well described in a quote from Leray P. Jones and SaKong, Il:

The missing element is implementation - the translation of an administrative abstraction into concrete action by a production unit. In Korea, this link has emphatically not been provided by sitting back and letting market forces reign. On the contrary, the Korean government under Park Chung Hee has been actively and pervasively interventionist. The "Korean miracle" is not a triumph of laissez faire, but of a pragmatic non-ideological mixture of market and non-market forces. Where the market works, fine; where it doesn't, the government shows no hesitation in intervening by means that range from a friendly phone call to public ownership [Ref. 5 p.3].

In contrast, the United States, public and private affairs are clearly distinguished without being misunderstood. In America, a gift in return for someone's official efforts might be treated as a bribe, while in Korea it should be regarded as merely a gift. Also, when a subordinate was told to do an errand for his superior's personal chores, then we surely expect that he would ignore his superior's orders with the "it's not my job" attitude. Again, on behalf of dominated individualism, as to a strictly personal matter such a question as "How would you do when a young subordinate wishes to marry?", most superiors seem not to be involved in such a personal matter. In fact, they want to be a only work-oriented superior.

However, we should know that sometimes the combination of conduct in the official capacity and as a private person is indispensable for leadership at work under today's human relations oriented organization. Many capable leaders are of the type who, while being strict on the job, are paternalistic in other respects. In this context, this non-paternalistic superior in the United States can not facilitate mutual communication and may result in losing the organizational climate of harmony at work.

B. GENERAL DIFFERENCES BETWEEN THE U.S. AND KOREAN MANAGEMENT SYSTEM

1. Influence of Government

In the American private business corporations, the influence of the government is not as strong as in the Korean business firms, and thus substantial amount of autonomous are given to them. In the United States, which is the leading domain of private enterprise, the government plays a role as a referee rather than an interventionist. Rulings on such matters as unfair competition, price discrimination,

of aggression or hostile behavior [Ref. 39 p.119-120]. It implies that American workers make a point of doing only that work which is assigned to them and nothing more. For example, they do not offer help to others when production is stopped due to trouble on the production line. Workers who are down the production line from the trouble spot take the attitude that the trouble has nothing to do with them, and rest until it is repaired.

3. Differentiation of Public and Private Affairs.

Confucianism takes the kinship system to be a fundamental ethic. Consequently, in Korean society, private matters are given absolute priority. Also, public and private matters are not clearly distinguished but become mixed up. In addition, as explained earlier, there still exists a strong tendency to put kinship ethics before public affairs. Some of employees have one or more contacts within the company, and it is said that these connections make possible to maintain his position in the company. This is an indication of the strength of family, birthplace, school, and religion connections.

There are some examples of the private affairs mixed up with the public affairs. Some superiors frequently use their subordinates for personal chores. They have considered it expected of them to send their subordinates for cigarettes during working hours or to make them help out when moving. Even in daily life at work, superiors actively counsel subordinates on their personal problem such as marriage. Sometimes company business and personal pleasures get confused in the name of entertaining customers and gift giving. Of course, the goodwill from the entertaining clients makes the subsequent conduct of business efficient. However, it is indeed difficult to determine whether these activities are carried out in an official capacity or for personal purposes.

In this sense, the United States today is a group society like Korea and Americans possess group preferences just as Koreans do. Then what differences are there between them? In a nutshell, the American individualism is the individual-centered or individual superior thought which regards as natural or proper to let an individual interest supersede the group interest. Therefore, they emphasize the obligation and responsibility to themselves rather than to a group or to other people.

American firms employ individuals as specialists on a contractual basis and are organized functionally. As a consequence, individuals are brought as "components" into a pyramid-type organization headed by the top management. Both decision-making and communication are conducted in a top-down fashion. The firm regards the individual the same as machinery for management purposes; and the individual, too, clearly regards the firm as a means for selling his labor in return for payment. In other words, since both the firm and the individual regard work within the company as a commercial contractual transaction there is little sense of loyalty and responsibility. Human relations with the firm are also basically limited to business relations and tend to be weak [Ref. 38 p.9].

According to the fundamental rule of the modern management system in the United States, the job function is the most basic unit. Needless to say, the job function is closely tied to the substance and the scope of individuals' activities within a system and to the concomitant responsibilities and authority. With respect to the relationship between the work unit and job functions, the scope of each job function within a work unit is precisely defined in the American system and thus under individualism dominated American society, the intrusion of a worker of a different job function into other's job function is regarded as a kind

by the founder's family members or close relatives, his brothers, brothers-in-law, cousins, uncles, etc., as we mentioned in the previous chapter.

In conjunction with groupism, individualism in Korea is apt to be looked upon as implying an unethical conduct that pursues an individual's interest even at the cost of a group's interest, i.e., egoism. Similarly, with respect to the obligation and responsibility, the Koreans consider them applicable to their relationship with other people or to a group. Thus, in the Korean society clustered in kinfolk groups, an individual has a strong sense of belonging to "vertical" social groups such as the military, the executive and business firms. In such hierarchically structured groups, loyalty and obedience were stressed as an absolute standard for an individual (influenced by Confucianism).

In fact, respect and obedience to the superior or the old were treated as a sort of social norm. Nowadays, the tendency became reduced by the influx of Western egalitarianism (based on Christianity). It is still rooted in the individual's mind. Therefore, as an example, we often see the scene that when one's immediate superior enters a crowded bus on which he is riding he usually offers him his seat.

In contrast, the American society is an individualistic society founded upon the independence and freedom of individuals. Hence, American management is based on individualism rather than groupism. Of course, it is an unquestionable fact both in the U.S. and in Korea, that today's economy and politics are no longer the sum of isolated activities of individuals but are governed by the collectivist behavior of individuals. Political parties, large groups of corporations, worker's labor unions, and consumer groups are organized as a group. In addition, a family is a type of group and so is a social club.

who generally exercise the mental work in the office, which is the reverse in Korea.

2. Individual versus Group

The second difference can be found in the way of approach to individuals and groups. Generally speaking, the Koreans seem to agree that Koreans have a weak spirit of unity and as a group they are inferior. This viewpoint implies that the Koreans are strongly self-assertive and often dissent among themselves. However, we deny the Koreans' allegedly egoistic national character with such an example of "Ours" expression instead of "mine" for the notion of individual possession, which was stated at the previous chapter. The following example also supports our argument; i.e., when told that one's company co-workers left one behind and went out to an entertainment, the Korean feels very uncomfortable. To the Korean it is not a matter of displeasure, but a rising feeling of uneasiness that comes from being shunned by the group. Thus, groupistic tendencies seem strong in Korea. Indeed, in Korea's blood-related groups such as the family or kinship circle, group consciousness is strong to a degree not found elsewhere. Further, community consciousness is also quite strong.

In the Korean kinship group, which is said to extend as far as three generations of consanguinity or even more for all those who share a common ancestor, the spirit of solidarity is highly emphasized. Kinsmen are required to help one another. A successful member of a family is a credit to the entire family and the one who is successful, it is said, has a responsibility to look after other family members. This tendency remains strongly rooted in corporations even today. Korea's big businesses all form "Chaebol" groups, most of which are kinship organizations subject to patriarchal rule. Such a corporation is monopolistically run

Korea was a traditionally civilian-ruled country. Some 1000 years ago during the "Koryo" dynasty, Korea adopted the higher civil service examination system from China, and the 500 years of the succeeding "Yi" dynasty were an age of flawless civilian rule. "Yang ban(noble man)", the upper classes of the "Yi" dynasty was given to civilian administrative rule. It placed the highest value on letters and held the commerce and industry to be of less importance according to strong class discrimination. Thus, it was rare for the Korean upper classes to bestir themselves or dirty their hands with work. In a society of this nature, it was impossible that production by physical labor would be highly valued by society. So, even in the present time Korea, too, does not have the tradition of respecting work in the workshop. Until recently the liberal arts and social sciences have dominated college education in Korea and very few corporate managers have a science or engineering background. These facts call to mind traces of civilian rule.

In contrast, the Americans respect for work in the workshop derives from the notion that to earn a living by the sweat of one's brow is a virtue. The respect given to physical labor in contemporary U.S. has its roots, we believe, in the Puritanism of about 200 years ago. In those days, the Puritans had to do a hard work for themselves without dependence on any other in order to survive in the wilderness of the New World since they were all equal in terms of social status. From this was born the notion of making a virtue of the perspiring brow, and this in turn shaped the values in the whole society. This tradition has been inherited by the corporate world. Thus, the fact that engineers who walk around the plant wearing safety helmets and wear sweaty, oil stained work clothes have a high status, high wage and a certain amount of authority not the least bit inferior to clerical or administrative personnel

IV. COMPARISON OF MANAGEMENT SYSTEM BETWEEN THE U.S. AND KOREA

A. CROSS-CULTURAL COMPARISON

Improvement of management policies and performance can result from an understanding of basic differences in each's cultural values. Attitudes concerning a broad range of obligations in employee-employer relations are influenced strongly by the cultural values indigenous to a given society. For example, such values have been shown to influence worker perception of such matter as employment continuity, economic involvement and personal involvement of management, identification with organization, sources of motivation, and other aspects of the work situation. Mutual satisfaction in human relations in business organization depends partially upon management understanding of cultural values and the employee attitudes they engender.

In our study the national character of the two countries, the U.S. and Korea, we found that the two societies had its own unique cultural values in their management system. This dissimilarity is primarily attributable to their considerable gaps in terms of geographical distance and their ancestor's different ways of living and thought. The prominent differences in the cultural values by which they organize, plan and control their business firms and in which they practice their managerial skill will be discussed in this section.

1. Different Approach to Labor

Physical labor which is the basis for the today's business production activity was evaluated differently.

4) Dominance of young managers responding to meet the modern sophisticated organizational environment.

Also we found that it was operating at the Consultative mode in terms of Likert's System 4 Theory regardless of each level and the age of management.

proved satisfactory. The reason is that promotions are the most significant way to recognize superior performance.

By and large promotions are fair and appropriate in the United States. However, there are some negative aspects in promotion, that is discrimination. Most people accept the need or at least the legal obligation to avoid racial, sexual, or age discrimination in the hiring and promotion process. However, sometimes it is neglected. Despite laws such as the Civil Rights Act of 1964, which prohibits racial, sex, or religious discrimination, and the Age Discrimination Employment Act, which prohibits discrimination against the aged in employment opportunities, the gate into the upper level management positions is still narrow for women and minority and older employees are sometimes passed over for promotion because of their age or race [Ref. 15 p.522].

On the other hand, in a Korean business organization, promotion is also based upon performance. However, intangible traits for evaluating the performance such as loyalty and faithfulness, and educational background are also strongly influences on promotion. Educational background frequently serves as measurement for promotion as well as accomplishments and thus less educated managers sometimes have difficulties in promotion to higher level managerial positions, though they accomplished considerable achievements.

The educational background influenced not only promotion but also wages. Perhaps this heavily-weighted view of education might be one of the adverse characteristics of Korean organization society regardless of government administrative, the public business and private business sector. For example, Korean college graduates are paid almost two times that of the high school graduates for their starting salary [Ref. 42]. This trend results in pressure to obtain

a higher level of education and thus creates an enormous waste of time, money, and effort due to a aimless investment for education by ill-prepared and ill-motivated students.

Another important key factor is the effect on promotion by loyalty and faithfulness. The Korean employees are said to be faithful not to their companies, but to individuals, namely their direct bosses or the top managers, however, there is no big difference between being faithful to the company and to their direct superior since, in general, the loyalty to each level of superiors in turn means the same as being loyal to the company. This can be explained by the Confucian principles that have been totally accepted by Koreans for centuries, which strongly demanded modest attitudes and loyalty to superiors. Accordingly, if an employee is resistant or disloyal to his superior, he is likely to be evaluated as a conceited man by his superior and will probably not be selected for his next promotion.

In conjunction with promotion, titles are most important to the Korean managers. To call a Korean "Hoejangneem" (chairman of the conglomerate) or "Sajangneem" (president of the company) makes him feel like a charismatic leader of great position, power, and influence. When Korean businessmen exchange name cards, which are always carried, they see the each other's title first. The title indicates the degree of respect to be accorded. Consequently, in the Korean management system a high-sounding title, a product of promotion, is highly valued along with high salary.

C. COMPARISON BY SURVEY USING THE LIKERT'S MODEL

The results of the comparison of each total management group between the American management system from a previous ICL Study by the Institute for Social Research at the

TABLE X
Comparison between the Management System
in the U.S. and Korea

Variable	Korea			U.S.			2-tailed t-test
	mean	std dev	N	mean	std dev	N*	
Support	3.55	.709	117	4.05	.89	500	5.71**
Interaction facilitation	3.27	.813	116	3.55	.92	500	3.05**
Goal emphasis	3.42	.748	117	3.95	.89	500	6.01**
Work facilitation	3.21	.787	115	3.15	.88	500	-0.7
Communication flow	3.42	.763	117	3.34	.80	500	-0.99
Decision- making practice	3.18	.818	116	3.08	.80	500	-1.22
Human resource primacy	3.55	.832	117	3.54	.84	500	-0.12
Lower-level influence	3.37	.873	116	2.78	.93	500	-6.29**
Motivational climate	3.30	.857	119	3.62	.71	500	4.24**
Technological readiness	3.44	.774	118	3.48	.75	500	0.52
Group process	3.40	.917	116	NA	NA	NA	NA
Satisfaction	3.36	.676	117	NA	NA	NA	NA
Total	3.37			3.45			

* N was known as a total group. For each index, N can be a little different due to missing case, however, it doesn't matter since t-value is same as long as the number of samples is above 120.

** significant $p < 0.05$

University of Michigan and the Korean management system surveyed in our study is shown in Table X. Based on Table X, the graphical comparison is also presented in Figure 4.1.

Although the index mean scored by managers in each management system is significantly different for each organizational variable, it must be noted that both management systems were operating in the System 3, Consultative management. Significant differences, therefore, reflect differences in styles within System 3, and not differences between system of managing.

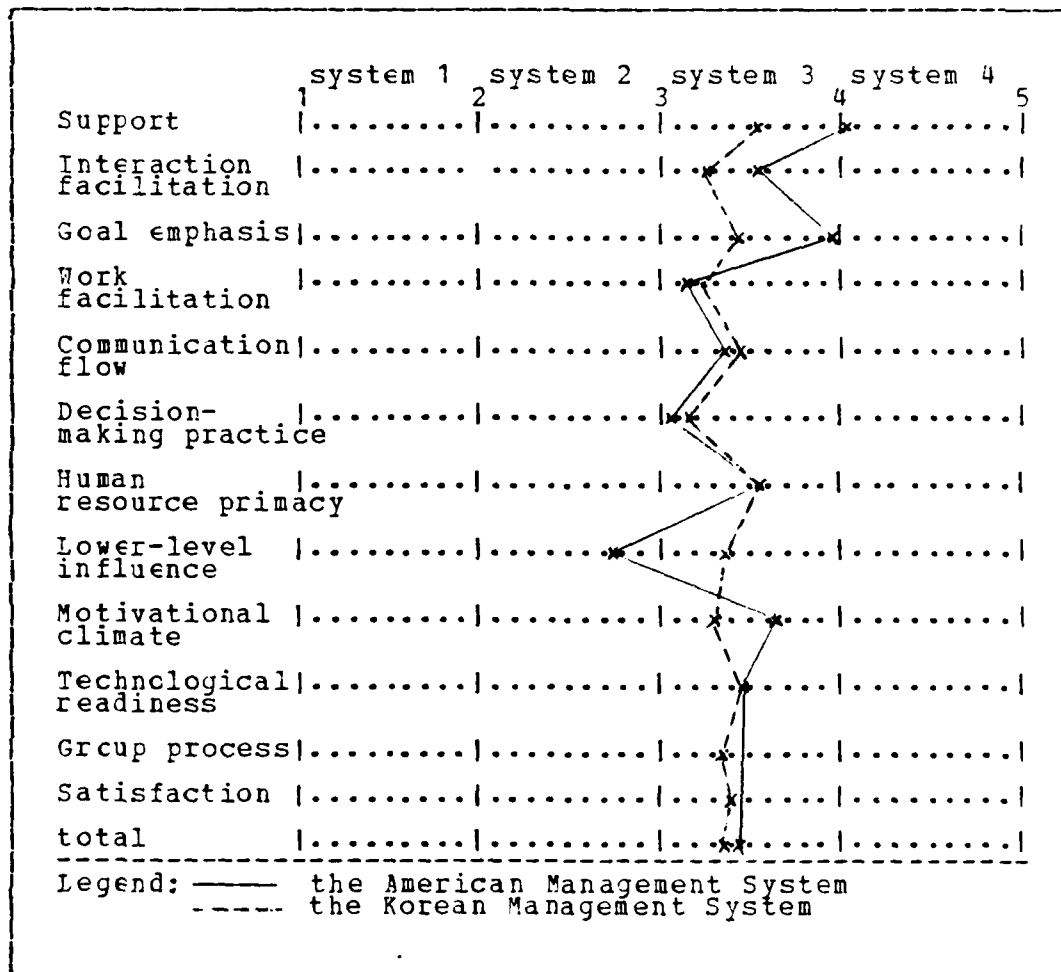


Figure 4.1 Profile of Indexed Variables between Two Countries.

To test whether or not there was a difference in the management system between the United States(Population A) and Korea(Population E), the two tailed t-test was used to test hypotheses on organizational variables between the American management system and the Korean management system. The null hypothesis was :

Hypothesis: There will be no statistical difference between the management system in the U.S. and Korea.

Decision for the acceptance or rejection of the hypothesis was made by applying the 0.05 level of statistical significance. The results from comparing the two population against the 10 variables are also shown in Table X (Satisfaction and Group process were not tested since no norms were available).

The results indicate that the Korean management system was similar to the American management system in terms of Work Facilitation, Communication Flow, Decision-Making Practice, Human Resource Primacy, Technological Readiness, while they differed in terms of Support, Interaction Facilitation, Goal Emphasis, Lower-Level Influence, Motivational Climate. Again, as mentioned before, differences here are differences within System 3(Consultative mode) not differences between the four systems of management.

V. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

So far we have focused on the management system in the United States and Korea in terms of managerial philosophy, cultural background, and its environments. At the beginning of this thesis, we mentioned that there is some disagreement among scholars and researchers as to whether management practices must be shaped to the customs and culture of the country, or whether good management practice is universal. It seems to us that the functions of management are universal, but that there are definite and sometimes profound differences in the management practices used to perform the functions. Thus, our cross-cultural research would be fruitful when we keep in mind that though scientific management principles and techniques are universally applicable, however, they are also culture bound. Indeed, no nation nowadays can exist without counting on each other and thus it is essential to know the other's way of thinking and methods of managing the human component along with reviewing its own. The reason for the Sun-Tse's saying (Sun-Tse is a well-known Chinese strategist.) "Jipi JiGi Back Jon Back Seung" (This Chinese word means if one knows the other along with oneself, then he can achieve a victory at every fight.) being quoted frequently by military strategy planners or general managers in business organization is that it teaches us this principle.

We have seen in both countries that the business firms have a social organization operating in a social environment. Its tasks then are social as well as economic and technological in nature, and the business firm must conform

to its social and cultural surroundings. Firms that do a multinational business are situated in an international environment as well, and each of these environments plays its part in shaping management practices. Because of cultural, religious, social, economic, and political differences, there are also some differences between management practices of Korea and the United States.

The characteristics of the Korea management system are family oriented management, strong influences of government, emphasis on human relationships, and dominance of young managers. The roots of the system lie in Korea's cultural and historical background, traditional values, Japanese colonial rule and Korean War adaptations, and that it was in a relatively late stage of economic development after the 1960's. The Korean system can be understood only in terms of the underlying values of Korean society, such as respect for age, loyalty and faithfulness to superiority, rigid social class system and filial piety based on Confucianism.

On the other hand, the American system is characterized by a personal emphasis on individualism, with a consequent sense of little belonging to the organization; preference for specialists rather than generalists; decision-making from the top down, with decisions being made quickly by individuals; prevalence of scientific management and professionalism based on rationality; high labor mobility rather than life time employment; emphasis on conflict management, with a desire for all conflicts to be surfaced and confronted. The American system, like the Korean is consistent with the underlying values of the surrounding society. Americans value liberty, individual freedom, individual responsibility, competition, equal status based on egalitarianism, and high value on labor based on the puritan ethic.

Based on our research, several similarities such as top down decision-making process, rapid promotion with high

mobility, high value on well-educated managers were found in the two countries. One possible explanation for these common practices in the two countries may be the aspiration of the Korean businessmen for the American management practice which was well-known as an excellent management techniques. In fact, since the end of the World War II the involvement of the United States professional management based on the scientific method in the economies of the world has increased enormously.

The Korean management system shows the strongest contrast to the American system, which is compared by modest relationship between government and business firms, as a role of referee rather than interventionist; superseded individual interest over group interest; contractual rather than personal relationships; professional management rather than family-oriented management; strong emphasis on performance with little attention to one's educational background and age. It is not surprising to find these contrasts since the cultural and social roots of Korea and the U.S. are quite different. Apparently, the American managers who live perhaps in the most pluralistic society in the world have a different managerial philosophy compared to the Koreans who are in the most homogeneous society.

From the science-based management viewpoint by utilizing the Likert's model, the study demonstrated that managers in the Korean business firms operated in a Management System 3, as did their American counterparts. Needless to say, all managers in the two societies seem to prefer a participative mode of Management System. However, they also seem reluctant to involve their subordinates in the decision-making process and to help their subordinates and work groups for work facilitation as we take into account the low mean score of those two organizational variables.

The management system in the two countries have several merits and demerits. The Korean management system by means of emphasis on human relation based on Confucianism offers great merits in corporate management, which is to promote loyalty to the company, cohesion resulting from wholistic concern; elevation of morale, more positive employee participation and, in turn, hopes for higher productivity. In the mean time, Korean management has several demerits because of groupistic and paternalistic management by family-oriented structures; a lack of innovation due to little autonomy; the mixing or blurring of public and private interests; excessive control over the individual; irresponsible actions caused by relying on others; inefficient performance of official duties by offering personal favors to the superiors instead of striving by one's efforts; a lack of rationality by utilizing little professional management.

In contrast, American management is based on individualism and scientific analysis and thus produces great merits such as universal and systematic applicability suitable for multinational enterprises, technical innovations by means of giving great autonomy, high competition on behalf of low cost and good quality utilizing the specialists and professional management. On the other hand, American management has such fundamental problems as unstable employee security with a high turnover rate, low morale resulting from a lack of warm human relations, job boredom arising from specialization and simplification of work, and in turn, it can result in low productivity.

Therefore, we know that these merits and demerits to both Korean and American management system linked to certain social and cultural characteristics of Korea and United States. As a result, it cannot be argued which one is better overall. In either case, one party cannot adopt the merits of the other side without granting the demerits which are

inseparable from the merits. In fact, friction is inevitable since the two cultures are different. Thus, each system should be developed to reduce the friction in order to get to its ideal status, Management System 4.

B. RECOMMENDATIONS

Our research was primarily done by reviewing existing literature and our personal experience and the use of a survey. In the process of doing this, we sometimes doubted the consistency of the theorists, we asked, "Is that true as the literature says?" (especially for the management philosophy). The reason is that the old customs, traditions, and ways of thinking cultivated for a long period time may often change as time flows.

Thus, we anticipate that more work needs to be done to assert our research firmly. We, therefore, suggest the following recommendations for future research :

1. Implement the empirical study for Korean management by interviews to validate our general views.
2. To do this, expand its scope of sample to being a nation-wide sample.
3. Especially compare the successful companies between Korea and the United States to establish the desirable standard of communication and decision-making for joint Korea - U.S. ventures.

APPENDIX A
QUESTIONNAIRE

Most questions can be answered by circling in one of the answer spaces. If you do not find the exact answer that fits your case, use the one that is closest to it. The forms of the scale are as follows:

Q.1 - 28

- 1: a very little
- 2: a little
- 3: some
- 4: a great
- 5: a very great

Q.29 - 31

- 1: very dissatisfied
- 2: somewhat dissatisfied
- 3: neither satisfied nor dissatisfied
- 4: fairly satisfied
- 5: very satisfied

In the definition, Supervisor means the person to whom you report directly. Work group means all those persons who report to the same supervisor.

***** Please, answer in order*****

- | | |
|---|-----------|
| 1. How friendly and easy to approach
is your supervisor? | 1 2 3 4 5 |
| 2. To what extent is your supervisor
willing to listen to your problem? | 1 2 3 4 5 |
| 3. How much does your supervisor encourage
people to give their best effort? | 1 2 3 4 5 |
| 4. To what extent does your supervisor
maintain high standards of performance? | 1 2 3 4 5 |

5. To what extent does your supervisor provide the help you need so that you can schedule work ahead of time? 1 2 3 4 5
6. To what extent does your supervisor offer new ideas for solving job related problems? 1 2 3 4 5
7. To what extent does your supervisor encourage the persons who work for him to work as a team? 1 2 3 4 5
8. To what extent does your supervisor encourage people who work for him to exchange opinions and ideas? 1 2 3 4 5
9. How friendly and easy to approach are the persons in your work group? 1 2 3 4 5
10. To what extent are persons in your work group willing to listen to your problems? 1 2 3 4 5
11. How much do persons in your work group encourage each other to give their best efforts? 1 2 3 4 5
12. To what extent do persons in your work group maintain high standards of performance? 1 2 3 4 5
13. To what extent do persons in your work group provide the help you need so that you can plan, organize, and schedule work ahead of time? 1 2 3 4 5
14. To what extent do persons in your work group offer each other new ideas for solving job-related problems? 1 2 3 4 5

15. How much do persons in your work group encourage each other to work as a team? 1 2 3 4 5
16. To what extent do persons in your work group exchange opinions and ideas? 1 2 3 4 5
17. To what extent is the organization generally quick to use improved work method? 1 2 3 4 5
18. To what extent are the equipment and resources you have to do your work with adequate, efficient, and well-maintained? 1 2 3 4 5
19. To what extent does the organization have a real interest in the welfare and happiness of those who work here? 1 2 3 4 5
20. How much does the organization try to improve working conditions? 1 2 3 4 5
21. How receptive are those above you to your ideas and suggestions? 1 2 3 4 5
22. To what extent are you told what you need to know to do your job in the best possible way? 1 2 3 4 5
23. In this company, to what extent are decisions made at those levels where the most adequate and accurate information is available? 1 2 3 4 5
24. When decisions are being made, to what extent are the persons affected asked for their ideas? 1 2 3 4 5

25. To what extent does your work group
plan together and coordinate its effort? 1 2 3 4 5
26. To what extent is information about
important events and situations shared
within your work group? 1 2 3 4 5
27. To what extent do you have confidence
and trust in the person in your work group? 1 2 3 4 5
28. In general, how much say or influence does
the lowest-level supervisor (foreman, office
supervisor, etc.) have on what goes on
in your department? 1 2 3 4 5
29. In general, how much say or influence does
employees (people who have no subordinates)
have on what goes on in your department? 1 2 3 4 5
30. All in all, how satisfied are you
with your supervisor? 1 2 3 4 5
31. All in all, how satisfied are you
with your job? 1 2 3 4 5
32. How satisfied do you feel with
your chances for getting ahead
in this organization in the future? 1 2 3 4 5
33. How are differences and disagreements between persons
or units handled in this organization?
1. Disagreements are almost always avoided, denied,
or suppressed
 2. Disagreements are often avoided,
denied, or suppressed
 3. Sometimes disagreements are accepted and
worked through; sometimes they are avoided
or suppressed
 4. Disagreements are usually accepted as

- necessary and desirable and worked through
5. Disagreements are almost always accepted
as necessary and desirable and are worked through

34. Why do people work hard in this organization?

1. Just to keep their jobs and avoid being
chewed out
2. To keep their jobs and to make money
3. To keep their jobs, make money, and seek promotion
4. To keep their jobs, make money, seek promotion,
and for the satisfaction of a job well done
5. To keep their jobs, make money, seek promotion,
do a satisfying job, and because other people in
their work group expect it

35. Sex: 1. Male 2. Female

36. When did you first come to work here?

1. Less than 1 year ago
2. Between 1 and 5 years ago
3. Between 5 and 10 years ago
4. Between 10 and 15 years ago
5. Between 15 and 25 years ago
6. More than 25 years ago

37. Into what age bracket do you fall?

1. 25 years or under
2. 26 years to 30 years
3. 31 years to 35 years
4. 36 years to 40 years
5. 41 years to 45 years
6. 46 years to 55 years
7. 56 years or over

38. Please write your position: (foreman, office supervisor,
president, head of division, department head)

39. Please write your formal education career.

(university or college graduate, high school graduate)

-----The End-----

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